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THE WEST AND

No.30,754

Friday January 27 1989

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# Moscow announces Chernobyl

clean-up

World News

Soviet Politburo announced a new campaign to cope with the consequences of the Cher-nobyl nuclear disaster, nearly three years after the event, suggesting that evidence of radiation may have been

**New Soviet tremor** A new tremor struck the Central Asian republic Tadzhikistan near villages left as common graves for hundreds of people killed by a quake and mudside. No loss of life was reposited.

### Arafat in Madrid

Palestine Liberation Organisation Chairman Yassir Arafat arrived in Madrid to meet the foreign ministers of Spain, France and Greece: The EC hopes to send a signal to the US and Israel on the urgent need for a Middle East peace conference. Page 2

### israeli raids

Israelt troops killed one Palestinian and critically wounded another as Arab residents fled raids on West Bank villages. Troops also bulldozed four houses and blew up another in the occupied territories.

### **Hostage reports**

Diplomatic moves by the Irish and Iranian Governments were underway yesterday, as hopes rose for the release of two more hostages held in Leba-non. Page 4

### Afghan attacks

Moslem rebels said they were stepping up attacks on Afghan-istan's second city Kandahar, because Soviets were airlitting arms and amminition to help sagging government forces. Mine clearing, Page 4

### Chun refuses writ Former South Korean President Chun Doo-hwan refused to accept a writ to testify

before a committee on the sup-pression of a 1980 uprising that left over 200 people dead.

### Malaysia detainees Malaysian authorities released two leading opposition law-makers and three other politi-cians it had held without trial for 15 months. Page 4

Peru rescue effort Fire and poisonous fumes in a collapsed Peruvian gold mine slowed efforts by rescuers to find amateur miners trapped for more than five days.

### **Duarte rejection**

San Salvador President Jose Napoleon Duarte rejected an electoral proposal by leftwing rebels, calling it an unconstitutional proposal for war.

Taba sovereignty Egypt said it would declare sovereignty over the Israeliheld Red Sea resort of Taba

on Sunday when a deadline

Polish priest funeral Thousands of Poles bade an emotional farewell to mur-dered Roman Catholic priest Father Stefan Niedzielak, Sofidarity leaders stayed away from the funeral as they prepared for talks with the gov-

### erzment. Page 2 Calvi verdict

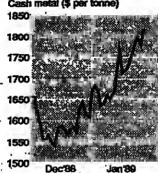
Milan judges have ruled that Roberto Calvi, Banco Ambrosiano chairman found hanged in 1962 from a bridge in Lon-don, did not commit suicide, but was murdered. Page 2

# Business Summary

# option to buy stake in Petromed

BRITISH Petroleum has taken an option to acquire between 8 and 15 per cent of Spanish petroleum refiner (Petroleos del Mediterraneo SA), the two

PIEERE BEREGOVOY, French



Exchange. The cash metal climbed \$40 to \$1.882.50 e tonne as traders considered the pos-sibility of another strike in the Peruvian mining industry. Commodities, Page 30

PHELPS DODGE, biggest US copper producer, increased its underlying net profits by 62 per cent in the fourth quarter and more than doubled

GENENTECH, world's leading specialised biotechnology com-pany, recorded a loss of \$15.4m in the December quarter because of disappointing sales of Activase, the new heart

**VOLKSWAGEN**, West German motor group, has appointed Mr William Young as head of its US operation, Volkswagen

of America. Page 22 LONDON Stock Exchange and

FALCONBRIDGE, Toronto metals group, and Cominco, Vancouver resources concern, have reported record fourth-

COPENHAGEN'S bond and

futures and options markets will be brought together on a single screen today, as Denmark takes another step fowards a full electronic market Page 24, Stock Markets, Page 42

KOOR INDUSTRIES, Middle had its immediate financi of its 24.3 per cent holding in Teva, a large pharmaceuticals company. Page 2

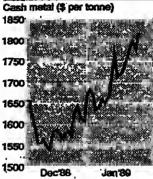
CHICAGO Mercantile Exchange set up a panel to look into trading rules in the fraud at Chicago's futures

Communications (Holdings) reached e settlement on "strictly confidential terms" with one institutional share-holder in Barham Group who had challenged IBC's refusal to reopen the cash terms of its successful takeover of Bar-

# **BP takes an**

Figure Minister, ordered the stock exchange regulatory to investigate possible insider trading in the shares of Societé Générale, the privatised bank. Page 18, French economy, Page 2

ZINC climbed to new records on the London Metal



CROSS-CHANNEL ferry services run by Sealink, British carrier, and two Dutch and French carriers are being examined under EC rules against anti-competitive agree ments, the European Commission said. Page 2

profits in 1983 due in part to higher copper prices. Page 20, Commodities, Page 30

drug. Page 20 . . .

accountancy profession sent out conflicting messages on accounting for intangible assets. Page 7

quarter profits spurred by higher metal prices and buoy-ant markets. Page 22

East's largest industrial group, worries alleviated by an Israeli court's approval of the sale

wake of FBI investigations into exchanges. Page 3

INTERNATIONAL BUSINESS ham in 1987. Page 29

# Rail tunnels planned to ease London traffic

By Kevin Brown, Transport Correspondent, in London

A £3.5bn (\$5.95bn) package to ease congestion in London by building two new underground railways has been proposed by a Government study of the capital's transport problems.

The plan calls for new east/west and north/sonth links, costing around £2bn, and a £1.5bn improvement pro-£1.5bn improvement pro-gramme for existing lines. The study was ordered by Mr

Paul Channon, the Transport Secretary, last summer. The proposals are intended to relieve severe overcrowding and delays caused by a 23 per cent increase in passenger demand on London's Under-

By Lionel Barber in Washington

PRESIDENT George Bush will

meet Chinese leaders next

meet Chinese leaders next month during a two-day trip to Peking after attending the funeral of Emperor Hirohito in Japan, the White House said

yesterday. Mr Bush's visit to Peking on

February 25 and February 26 was designed to "reaffirm rela-

tions between the United States and China," said Mr

Marlin Fitzwater, the White

House spokesman.
Tha President has very

close ties with China, having served there and having made two trips to China as vice pres-

Mr Bush was head of the US Lizison Office in Peking after President Nixon restored rela-

tions with China. He may

extend his Far East trip which has turned into an early and

important foray for the new

President whose experience

lies in foreign, rather than

domestic policy.

The White House dismissed.

suggestions that the visit to China represented a smub to President Mikhail Gorbachev,

the Soviet leader, who has expressed a desire for an early summit with the new US

ground and British Rail ser-

vices since 1980.

There have been growing concerns over safety in the London transport system following the recent death of 31 in a fire at Kings Cross underground station and 34 in a British Rail collision at Clapham Junction during the morning rush hour.

rush hour.

However, the Government is not committed to proceeding with the proposals and no decisions have yet been made on how it would be financed should it proceed.

The report recommends two

Bush will visit China

to 'reaffirm relations'

Shevardnadze

may meet Deng

Soviet Foreign Minister Eduard Shevardnadze is expected to meet Deng Xiaoping, the Chinese leader, when he visits China early next month, according to Soviet representatives in Peking. The meeting would be a key encounter between the two Communist nations, and, as it would precede US President George

cede US President George Bush's planned visit to China, Moscow may now feel under pressure to woo Peking still

leader. The new Administra-

tion has said a renewal of

high-level talks must await a strategic review of US-Soviet policy, discussions with the US Nato allies, and talks between Mr James Baker, US Secretary of State, and Mr Eduard Shev-

ardnadze, Soviet Foreign Min-

erate track of meeting with

officials as the opportunity arises... He has often said he

will be prepared to meet with President Gorbachev when the

"The President is on a delib-

more eagerly, Page 4

increase capacity, each involving the construction of two new lines.

The report says further detailed work on the physical specifications for the lines is needed before a decision on a preferred option can be made. However, the Transport Department said there were no insuperable technical prob-

Mr Channon said he hoped British Rail or London Under-ground would table a private Continued on Page 18
Crush threatens to detail London, Page 7; Editorial Comment, Page 16

time is right," Mr Fitzwater explained. He added that he did not know if Moscow had

There was speculation in Washington yesterday that Mr Bush may have decided to preempt Mr Gorbachev's efforts to improve relations with the Chi-

nese Communist leadership

after 30 years of hostility.

Among the likely issues on the agenda in the two days of

talks are China's role in pro-moting a regional peace settle-ment in Kampuchea, trade

been alerted.

### Possible new routes East / West Centra North / South Cross London ... Hee underground Taking over existing Wimbledon branch (District line) and Heineuit branch Court Roa (Central line) Route 'A' via King's Cross and Rouse 'B

# **Boskin says US** should aim for budget surplus

By Peter Riddell, US Editor, in Washington

THE US economy can combine a likely growth rate of 3 per cent with a "substantial" decline in short term interest rates later this year, Professor Michael Boskin predicted yes-terday in his first official comments as chairman designate of the President's Council of Economic Advisers.

During his confirmation tes-timony to the Senate Banking Committee, Professor Boskin stressed that his projection depended on a "serious reduc-tion in the Budget deficit being agreed early in the year," He said the aim should be to move not only into budget balance over the next four years, but then to a surplus so as to boost US net savings.

ment in Kampuchea, trade relations including US curbs on high-technology exports, Taiwan, and the need to curb the proliferation of intermediate-range missiles in the Persian Gulf. China last year sold such missiles to Saudi Arabia, triggering US protests.

Mr Fitzwater suggested more stops could follow the two days. While the professor carefully avoided any public disagree-ment, his comments differed in stops could follow the two days in Peking: "It's clearly in an expanding mode... this is not the final parameters of the emphasis from those made recently by Mr Alan Green-span, chairman of the US Fed-Mr Bush spoke with Mr Gor-bachev by telephone on his eral Reserve, on the implica-tions of sustaining recent rates of economic growth. second day in office after the Soviet leader congratulated

He argued that it was possi-ble to reconcile the growth forecast with lower interest rates only with agreement on a package to reduce the budget deficit and in the light of recent actions by the Federal Reserve demonstrating resolve Professor Boskin said that

the growth rate of Gross National Product was likely to slow slightly anyway between 1988 and 1989 – from slightly over to slightly under 3 per cent on a year-on-year basis - if the impact of last year's drought was excluded from the estimates.

He suggested that confusion has arisen because of the atten-tion given to the fourth quar-

ter 1988 figures, which indicated an acceleration from 2.6 per cent to 3.5 per cent expansion this year because the base period had been especially depressed by the drought.

On this basis, Professor Boskin provisionally accented the

kin provisionally accepted the projections of the outgoing Reagan Administration, although he said he was relucalthough he said he was reluctant to endorse in detail its forecast of a decline in the three-month Treasury bill rate from 8.3 to 6.3 per cent, beyond saying he expected a "substantial" drop later in the year.

The aim, he said, must be to provide the Federal Reserve with "albors room to provide

with "elbow room to provide liquidity and growth in the economy."
Professor Boskin said he was

currently revising and updat-ing the recent Reagan forecasts and would be producing his and would be producing his own "fully developed statement" as part of President Bush's Budget proposals in two weeks' time.

He said it should be possible to reduce the Budget deficit without a tax increase. While reluctant to identify possible extenditure savings, he noted

expenditure savings, he noted the options of a slightly slower rate of growth or a flattening in the defence budget, and restraint of the rate of price increase for medical and health care, which had been much faster than inflation generally.

The professor, previously an economist at Stanford University, may be closer to Mr Bush. and have greater influence with him, than recent chairmen of the council were to President Reagan, having acted as Mr Bush's chief economic adviser during last year's election campaign. Tower questioned, Page 3

# Closing of an era on Wall Street

By James Buchan In New York

THIS week ends an era in US THIS week ends an era in US corporate finance. Two events mark its passing.

First, Drexel Burnham Lambert, the Wali Street investment firm, lined up potential investors for its key portion of the \$25bn leveraged buy-out of RJR Nabisco. The firm said yesterday it would soon price the \$3bn in the high-risk, high-yisld "junk" bonds that must be placed with investors if commercial banks are to back the ambitious deal.

Second. Drexe! Burnham

Second, Drexel Burnham sacked Mr Michael Milken, the

sacked Mr Michael Milken, the man who taught the firm how to sell junk bonds.

The sacking of Mr Milken, the most influential and con-troversial US financier in recent history, was forced on a reluctant Drexel Burnham by US Government prosecutors. It US Government prosecutors. It is part of a package of conditions, including \$850m in penalties and a string of guilty pleas, that Drexei Burnham accepted on Tuesday to escape prosecution for its junk bond business.

But the RIR Nebisco deal

But the RJR Nabisco deal also shows that Drexel Burn-ham probably no longer needs Mr Milken. Wall Street says that the firm, e Wall Street also-ran until it was transformed by Mr Milken's magic in the early 1980s, now has the breadth and the capital to do without him. In the past two years, Mr Milken has been under intense

investigation and much less involved in deals. But Drexel Burnham has retained its preeminent position in the \$170bn

junk bond market. Prosecutors say they will indict Mr Milken soon. In the charges against Drexel Burn-ham filed this week, Mr Milken – called John Doe for technical reasons - is accused of conspiring with Ivan or conspiring with Ivan Boesky, the imprisoned arbi-trageur who turned state's evi-dence in 1986, in a range of securities violations from concealing stock ownership to insider trading and defrauding clients. A broadly similar set of civil charges was filed by the Securities and Exchange Commission last September. Mr Milken, who has denied all wrongdoing, remains an enigmatic figure even after years of investigation. He is 42, the son of a California

accountant, wears a tonpee, lives quietly with his family and is probably worth \$1bn. People who know him say he has an unparalleled capac-ity for hard work and an Continued on Page 18

# Toyota favours UK site for European car plant By Kevin Done, Motor industry Correspondent, in London

TOYOTA, Japan's leading car maker, favours the UK as the that the UK was "the lead country of Toyota's choice."

location for its first West European car assembly plant. The project will be one of the biggest Japanese inward investments in West Europe and signals the start of the

next wave of the Japanese attack on the European car market in the 1990s. In a statement to be released in Tokyo this morning, Toyota is expected to confirm its plans

to build a car assembly plant on a "greenfield" site in West Europe, most probably in the UK. A final decision is expected by the end of the year. Toyota plans to invest around £600m in e plant to build some 200,000 cars a year. The plant will eventually create some 3,000 jobs.

She assured MPs that Toyota would be welcomed in the UK and that the Government would "work closely with" the company and consider any application for state aid. Lord Young, the UK Secre-

tary of State for Trade and Industry, said in a written parliamentary answer that the UK was "the lead candidate for the project." It is understood that the statement had been agreed in advance with the company Lord Young said he had told Toyota that the company would receive a "warm wel-come from the Government" if it decided to build a plant in

the UK. Toyota had been invited to "work closely" with the Department of Trade and Industry in pursuing its feasi-bility studies. He said that Mrs Margaret Thatcher, the British Prime Minister told the

Toyota's plans were based on a plant producing up to 200,000 cars a year. The cars would have a local

him on his formal inaugura-tion to the presidency.

(European Community) con-tent level which would eventually rise to 80 per cent after a transitional period. The disclosure that the UK is

the favoured candidate for the Toyota car plant will provoke fierce reactions from some other EC member states and leading European car makers.

In the absence of an EC rul-ing it is understood that the UK would insist on a similar arrangement for Toyota to the agreement reached with Nissan in the mid-1980s. This stip ulates that Nissan's UK-built cars are considered as EC products when they reach 60 per cent local content, but that they must reach 80 per cent local within about two years.

# House of Commons yesterday British Steel in Klöckner talks

By Nick Garnett in London and Haig Simonian in Frankfurt

BRITISH STEEL is one of e number of companies talking to Deutsche Bank about the possible purchase of all or part of Klöckner & Co, the big West German trading group with steel interests, which the bank

rescued last year. The UK company, which was privatised in December after 20 privatised in December aner 20 years in the public sector, said yesterday that Deutsche Bank had approached it, along with other companies, "in its search for an alternative long-term

Malaysia's silver Ening shines

through the political cloud

CONTENTS

investor" in Klöckner. British Steel was "considering the position."

The German group has an 18 per cent stake in Klöckner-Werke, the steel-maker, plastics and machinery company which also markets most of the steel made by Klöckner-Werke. Klöckner & Co announced in October that it was in trouble, having accumulated losses of up to DM700m (\$380.4m) through trading in the oil futures market.

in at least part of Klöckner & Co are thought to include Fiat, the Italian vehicle and indus-

trial group. Mr Herbert Glenow, chief executive of Klöckner-Werke, said a takeover by any competing steel producer would cause "extraordinary disruption" to the trading links between his company and the group as a whole.

Lex, Page 18; Background, Page 19

World trade: Thai copyright war divides Washington ... Computers: Gospel according to Appla ...... 11 Mercks Spectacular euccess of the world'e biggest pharmaceutical group ....

United States: End of an era in corporate

ment: Lawson versus Delors; London'a rail future ... Londard: Japanese Emperor revisited . Lex Brands; Telepoint; Lonrho; British Steel;

IBC . Gold ..... International bonds ... Int. Capital Markets Stock Markets ---Wall Street ---London ----39-42 35-39 Currencies Editorial Co **Unit Trusts** 

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# MARKETS

cash index 5900 5200 5200 New York lunchtime Oct 1968 Jan'89 DM1.8475 (1.83975) EST RATES

Federal Funds 94% (9<sup>3</sup>a) 3-mth Treasury Bills: DM1.8440 (1.8430) FFr6.2700 (8.2700) 3-mm frequency china yield: 8.638% (8.57) Long Bond: 103 Y128.10 (127.75) yield: 8.8222% (8.32)

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DOLLAR FF(6.2815 (6.2820) -SFr1,5700 (1.5645) Y128.20 (127.325)

\$403.2 (406.

STOCK INDICES New York closing Dow Jones Ind. Av. 2.291.07 (+26.18) S&P Comp 291.88 (+2.74) FT-SE 100 1,959.8 (+20.8) 143.82 (+0.1) Tokyo Mikkel Ave

Commerzbank 1,672.8 (-15.4) Brent 15-day (Argus) \$17.55 (+0.10) (Feb) New. York latest

31,511.81 (-55.98)

West Tex Crude \$18.145 (-0.08) (March)

19.23

Euro-options ......

Malaysia, the world's

largest producer of rubber, has, under Prime Minister Dr

Mohemad Mehathir,

bounced back from

form tha world

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### **EUROPEAN NEWS**

# Pöhl puts stress on need for a strong D-mark

By Andrew Fisher in Frankfurt

MR KARL OTTO POHL, president of West Germany's Bnndesbank, yesterday stressed the need for a strong D-mark and curbs on money supply growth to guard against inflation, as official figures showed a sharp rise in prices this month.

He also welcomed the tight-ness of US monetary policy and said there were justified hopes that inflation and inflationary expectations there could be kept in check. This is also of great significance for us, he said. A speeding up of US inflation "would very probably mean the end of the near seven-year phase of economic

week after the central bank increased its key interest rates by half a point as part of its more restrictive monetary pol-icy. Since then, the D-mark has risen against the dollar as cen-tral banks have intervened heavily on currency markets. Mr Pohl also said the contribution of exports to Germany's economic growth should come down, a reflection of Bundes-bank concern about continuing

Because of the D-mark's role as a major world currency, the exchange rate implications of monetary policy had to be taken into account. Thus he taken into secount. Thus he said that Germany's monetary policy had to help comhat a further devaluation of the D-mark – between the end of 1987 and mid-January, it fell by 15 per cent against the dollar and nearly 5 per cent against the currencies of major trading partners – to help price stability and even out severe world economic imbalances.

Backing up the Bundes-bank's auxiety about inflation, provisional figures from the Federal Statistics Office showed that the rate of price increases speeded up sharply this month. The cost of living was 25 per cent higher comwas 2.5 per cent higher com-pared with January 1988, based on returns from four German states. In December, the increase was 1.6 per cent.

1988, the industrial shortfall quadrupled to FFr42.2bn, whereas the surplus in food

and farm products rose substantially from FFr29.2bn to

FFr39.4bn, and the energy defi-cit declined from FFr82.1bn to

December out-turn were an

increase in the surplus on agri-cultural and food trade, from FFr2.7bn to FFr3.4bn, an

increase in the energy deficit from FFr4.7bn to FFr6bn, and a stagnation in the industrial

deticit of FFr4.8bn, compared

French unemployment rose

slightly in December to a sea-

with FFr4.9bn in November.

FF166.7bn.

Lawson lobs a 'great boulder' towards Europe Peter Norman surveys the damage after the Chancellor's latest attack on the single European Bank

R NIGEL LAWSON chooses the occasions of his set-piece

on Wednesday evening, behind the graceful 18th century facade of London's Chatham House and surrounded by many ardent admirers of European integration, the British Chancellor of mtegration, the British Chancellor of the Exchequer bluntly accused the supporters of European economic and monetary union of throwing a "great boulder" to the way of achieving the single European market by 1992. In the event, Mr Lawson, in his address to the Royal Institute of Inter-national Affairs, lobbed a great boul-der of his own into the workings of

der of his own into the workings of the 17-strong Delors Committee of central bank governoes and outside experts charged last summer by EC heads of government with studying "concrete steps" towards economic and monetary union in the 12 nation

One European central bank official yesterday said Mr Lawson's speech was not so much a shot across Mr Jacques Delors' bows as an Exocet missile into the guts of the commit-

of the European Commission, came out in favour of a European Central Banking system and a framework for enhancing national economic policies. He told the European Parliament that progress towards economic and mone-tary union "would be considerably facilitated by en appropriate institu-tional framework".

In his speech on Wednesday night, the Chancellor served notice that Britain would exercise its right of

Britain would exercise its right of veto against any such move.

Mr Lawson's decision to come out his self-imposed pre-Budget purdah to reject the idea of economic and monetary union was skilfully timed. The Delors Committee, which has been meeting monthly since last September, is only now starting the crucial final drafting phase of its work. It has three more sessions scheduled in which it is due to produce a report of its findings for EC finance ministers. this findings for EC finance ministers.
This report will be forwarded for consideration by the EC heads of government at their summit to June.

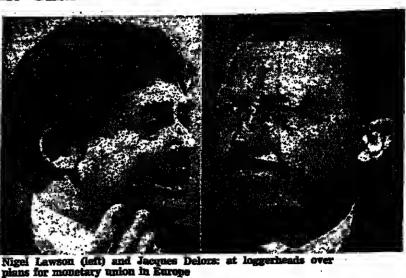
Despite Mr Delors' statements in

favour of an institutional approach to economic and monetary union, sev-eral members of the committee are sympathetic to British opposition towards such a move.

In its early sessions, the committee spent much time studying earlier as for the creation of econor monetary union to Europe and the lessons from the 19th century unificalessons from the 19th century uninca-tions of Italy and Germany. A confi-dential draft report by the committee last year cautioned that moves towards monetary union such as the creation of a single currency or a European central bank should not be undertaken without parallel moves

towards economic integration.

Mr Maurice Doyle, the governor of
the Irish central bank, won a great
deal of attention when he warned in



November that monetary union should only be the final stage of a process of economic integration to the community. Otherwise the fringe areas of Europe would suffer economi-

cally,

However, many of the central bankers on the committee are enthusiastic supporters of the European Monetary System. Some, such as the French and Italian governors, believe that the EMS should be developed as a halfway stage towards economic and monetary union. The December draft

report, therefore, contained the blue-print of a future European central bank and traced the path by which it should be established.

During most of the committee's deliberations, Mr Delors has held his cards close to his chest. His remarks cards close to his chest. His remarks
in the European parliament last week
were the clearest indication to date
that he was still enthusiastically supporting ideas of a common currency
and a European central bank.

It is for this reason that some European central bankers believe that Mr

Lawson decided to throw his consider-

Lawson decided to inrow his considerable weight into the debate against Mr Debors.

Mr Lawson's remarks were significant in that they contained none of the previous British "sub-tent" on economic and monators under Them cant in that they there can continue the previous British "sub-tent" on economic and monetary union. These are that the UK would countenance such a move if it came about organically, from the "bottom up" through the will of businessmen and ordinary oitizens as they got used to the practices and benefits of the single European market after its creation in 1992.

Some central bankers yesterday were suggesting that he put his position in the harshest possible way, deliberately to torpedo the Delorg deliberations. By making clear that Britain would veto any move towards a central bank or common currency, he was in effect inviting the committee to conclude that such a step would.

The central bank-dominated companies to the prescript of the productions.

The central bank-dominated com-mittee has from the beginning been a major potential handicap for Mr Delors' integrationist ambitions. But Mr Delors will be tree of it and able to influence the heads of government as he thinks fit once it has reported to the EC finance ministers in April or

May.

A hostile report by the Delors committee or a split to its ranks would leave the Commission president in a very weak position to pursue his goals. Such an outcome could be just what Mr Lawson and Mrs Thatcher

# **Fears for French industry** as trade deficit worsens

By ian Davidson in Paris

FRANCE'S foreign trade deficit deteriorated in December, bringing the shortfall for last year to FFr33hn (£2.97bn). The 1988 figure, although not much higher in aggregate than the 1987 total, contains a worrying pointer to a loss of French competitiveness, with a substantial expansion of the deficit in industrial trade.

This deterioration of the

This deterioration of the trade balance in industrial goods continues a trend stretching back four years, and which has prompted anxious research by the Government and private economists into

the loss of market shares. Several studies have suggested the problem is not so much a loss of price competitiveness in crude terms, as a failure of competitive specialisation in many French industrial sectors.

In 1985 France enjoyed a trade surplus in manufactured goods of FF189bu; to the follow-ing year this shrank to a surplus of FFr35bn; and in 1987 the industrial trade balance tipped over into a deficit of FF710.4bn. Solution of the workforce. sonally adjusted 2.54m. The fig-ure, 1.4 per cent up on Novem-ber's, represents 10.1 per cent of the workforce.

on energy use urged

By William Dulltorce in

THE NORWEGIAN Prime Minister, Mrs Gro Harlem Brundtland, yesterday called for global talks on energy resources and marketing, and on the climatic effects of

seasonally-corrected trade defi-cit for December of FFr4.lbn, representing a level of import cover of 95 per cent, with imports of FFr90.4bn and Norway, she said, was ready to host a "constructive energy policy" meeting of government leaders. Both economic and environmental concerns called for concerted action to avoid exports of FF786.3bn. This com-pares with a deficit of FF73.6bn in November, and a slightly higher level of import cover, at wild fluctuations in oil prices. 96 per cent. The main components of the

Energy prices were at the core of the greenhouse prob-lem, the warming of the Earth, in part caused by carbon dioxide emissions.

Ms Broudtland put forward her proposal on the opening day of the World Economic Forum, the annual business-

men's gathering in the Swiss ski resort of Davos. She also called for a global

economic summit to chart a of generating more equitably distributed growth and of responding to environmental

in 1957 by the worst commis-sion on Environment and Development, which she chaired. It highlighted the fragile ecological balance on which sustained economic development is based.

developing world since the Second World War.

# Global talks | Moscow reveals extent of | Apathy reflects mood of executions under Stalin

By Quentin Peel in Moscow

HORRIFYING details of the extent of mass executions by the Soviet security police during Stalin's rule have been officially confirmed, suggesting that at least 30,000 victims were shot and dumped in mass graves in a forest outside Minsk, capital of Byelorussia. A government commission investigating the atrocities has discovered 510 mass graves, and between 50 and 60 bodies have been found in each of the first six to be excavated.

The massacres took place in the forest of Kuropaty, between 1937 and 1941, the height of the Stalin purges. Now the Byelorussian Government has borned to authly was ment has bowed to public pres-sure, and agreed to build a monument to the victims.

Ms Nina Mazal, deputy chair-man of the Byelorussian Coun-cil of Ministers, and chairman of the investigating commis-sion, said there was still no way of telling the exact num-ber shot in the forest. An who revea year claims the figure could be

The Kuropaty massacre has been one of the first to be thoroughly exposed in the Soviet press, with horrifying descrip-tions in the weekly newspaper Moscow News of how truckloads of people were seen by peasants being driven toto the forest and shot.

"We know who was responsi-ble for shooting the people bur-ied in Kuropaty - the NKVD," Ms Mazai told the government newspaper Izvestia, referring to the initials of the Stalinist security police, forerunners of today's KGB;

"What is proving difficult is finding out the names of those who issued the orders to be killed." She said the NKVD did not

appear to have kept any docu-ments or archives. Forty names had been found of NKVD personnel who took part in the executions, but many of them had themselves been

# West Berlin electorate

By Leslie Colltt in Berlin

THE campaign for the West of 2m. Berlin elections next Sunday reflects the mood in Germany's largest city – a yawning disinterest in local politics.

The ruling Christian Democrats (CDU) under Mr Eber-

hard Diepgen, the dynamic young governing Mayor, seem assured of regaining their posi-tion as the largest party in West Berlin. Past scandals in Mr Diep-

gen's administration have largely rolled off his back. At the same time he is faced with unemployment of more than 11 per cent and one of the worst housing shortages in West Ger-

The Mayor, however, has

argued that even these liabili-ties were assets. He noted recently that they were a side-effect of the growing attraction of West Berlin which last year absorbed nearly 20,000 German emigrants from the East. The heavy loss of population in the 1960s and 1970s has been made. up. and. and West Ber-

The opposition Social Demo-crats under the capable but uninspiring Mr Waiter Mom-per, seemed unable to capital-ise on the CDU's mistakes. The CDU's election posters of Mr Diepgen, captioned "Berlin needs him."

needs Aim.

The SPD's election posters soft-pedalled Mr Momper, instead emphasising Berlin's tolerance with a young demonstrate. strator offering a flower to a policeman. But opinion polls showed the CDU could drop well below the record 46.4 per cent it gained in the 1965 elec-

The opposition Social Democrats (SPD) were thought likely to improve on their previous 32.4 per cent of the votes. But even if the SPD and the Alternative List (AL), the West Bernative List (AL), lin Green party, were to gain a majority in the legislature the SPD has vowed that it would not form a coalition with the "In other words," she said, and west ber: The thograf Free Democrats, "it is early yet to close this affair," again has a population cent of the vote.

nearly twice as high as the Government had forecast, and

a deteriorating trade balance.
Any further concessions to

Any further concessions to the unions beyond what had already been put before the negotiating table would have negative effects on the econ-

omy.

The "final" government offer, consisting of a Pta344bn (£1.7bn) package spread over two years to cover higher public employee ray pensions and

lic employee pay, pensions and unemployment benefits repre-

sents, according to the unions.

# Calvi death was murder say judges

JUDGES in Milan have ruled that Roberto Calvi, the Banco Ambrosiano chairman found Ambrosiano chairman found Annged in 1982 from Black-friars Bridge in London, did not commit suicide, but was murdered, writes Alan Fried-man in Milan.

The verdict, after a lengthy inquest, confirms the long-held view of most Italians, but is at view of most Italians, but is at odds with an "open" verdict by a London coroner. The Milan verdict was sought by his widow, who is trying to collect Lan (£1.6m) of life insurance.

The Milan judge's investigation included a simulation by stuntmen of the alleged suicide. They found it would have been difficult for Mr Calvi, 52, his pockets stuffed with bricks and suffering from vertigo, to and suffering from vertigo, to-have lowered himself from scaffolding beneath the bridge. Also, autopales did not reveal the head lesions normally asso-

ciated with spicide. Banco Ambrosiano crashed . in 1982 with \$1.5bm missing.
It is unlikely that the insu ance company involved. Assi-curazioni Generali, will pay unless the ruling is unheld on appeal. Meanwhile, magistrates conducting a criminal investi-criter of the criminal investigation of the case are still dith-

## Swedish schools minister named

SWEDEN'S Prime Minister, Mr Inguar Carisson, has altered his cabinet five months after the general election, writes

Robert Taylor in Stockholm. The most important change is the creation of a minister responsible for schools. In recent weeks the education system has been embroiled in by a budget proposal to cut education spending which was dropped after nationwide pro-tests.

The new job has gone to Mr. Goran Persson, who advocates lowering the age for starting school from seven to six, and who has wide experience of education at local government lovel Re will be reserved for

education at local government level. He will be responsible for schools, sixth form colleges, adult education.

Mr Bengt Göransson will become Education Minister with direct responsibility for the institutes of advanced studies as well as universities and research activities.

# Finns' new minister

FINLAND'S Social Democratic Party chairman, Mr Pertti Paasio, has been appointed For-eign Minister, writes Olli Vir-tanen in Helsinki. He replaces Mr Kalevi Sorsa, who resigned on Tuesday. Mr Sorsa will join the board of the Bank of Fin-land and will probably be elected Speaker of Parliament. Mr Passio's appointment ends a long debate on how the head of the country's biggest party could be included in the Gov-

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### The summit would be a follow-up to "Our Common Future", the report published in 1987 by the World Commis-Brussels takes close look at Channel route sharing on reforms

By William Dawkins in Brussels

JOINT cross-channel ferry services run by Sealink and two Dutch and French carriers are being examined under EC rules against anti-competitive agreements, the European Commission said yesterday.

The Brussels authorities are inviting comments by February 20 before deciding whether clear long-standing consortium agreements, covering ferry services between the UK, France and the Netherlands. They are understood to be inclined towards giving preliminary approval to the accords. Sealink, the British carrier,

has for many years shared the route between Harwich and the Hook of Holland with state-owned Crown Line, formerly known as Stoomvaart Maatschappij Zeeland.

Six months ago the Dutch Government announced plans

THE European Community's bid to mediate in the Middle East conflict was due to take a

step forward last night with the arrival of Mr Yassir Arafat

in Madrid for exploratory talks

Greece, Spain and France. As outgoing, present and incoming EC presidents respec-

with the foreign ministers of

tively, the ministers form the community's "troika" for Mid-

to privatise Crown Line. Sealink and others have expressed interest in bidding for the com-pany, a move which would also need clearance from EC anti-trust authorities.

Sealink has a similar route sharing accord with the mari-time arm of SNCF, the French public railway group, for the Calais-Dover and Boulogne-Fol-kestone routes. Vessels belonging to all three companies sail on those routes under the Sea-link name, offering jointly-agreed fares and sharing costs and port facilities.

The Commission can clear such agreements so long as they offer some broader benefit such as improved distribution or economic progress. It believes these accords ensure reliability and improve rail connections to consumers' ben-

EC foreign ministers to meet Arafat

dle East diplomacy – by chance from the three RC countries most keen on tovolv-ing Europe in Middle East peace initiatives and sympa-thetic to the PLC.

Last month the EC's Council

development is based.

All viable policy options for the 1980s presupposed radical changes in international economic co-operation, Mrs. Brundtland said yesterday.

The tight monetary and fiscal policies and supply side emphasis adopted by industriated countries in the 1980s had cut inflation and budget deficits and restored profitability. But they had been unable to redress the most severe economic setback in the developing world since the

The market alone was a most inadequate instrument, since there were objectives with which market forces were not concerned. The market did not ensure stability, equality or justice, or take account of ecological consequences.

month Spain's Mr Francisco

Fernandez Ordonez made a fact-finding trip to Jerusalem.

Following today's meeting with the leader of the Palestine Liberation Organisation, Mr Fernandez Ordonez and his

troika colleagues are to visit Syria, Jordan and Egypt early

next month and report to the Council of Ministers in Madrid

# Solidarity chief considers stance

By Christopher Bobinski

MR LECH Walesa, the head of Solidarity, the banned Polish trade union movement, yester-day conferred with his advisers in Warsaw ahead of talks expected soon with senior party officials as several thousand people attended the funeral of a priest murdered in mysterious circumstances a

The expected meeting comes ahead of a round table session due on February 6, which is to map out political reforms and a return by Solidarity to public

The priest, 74-year-old father Stefan Niedzielak, had over the years turned his church into a sanctuary commemorating Poles murdered in the Sovie Union during and after the war and he had also actively been tovolved in helping those who still live there after being deported in 1940. Father Niedzielak had

received numerous threatening letters warning him to desist and the majority of mourners at the funeral believed the authorities were involved The police however have issued a statement ruling out the possibility of murder. This was dismissed as nonsensical by lawyers retained by the church who are attending the investigation.

Meanwhile at a me terday the official trade unions in effect supported Solidarity's right to exist.

# Pay talks cloud Spanish view

A ROSY picture of Spain's ket union rejection of what Mr 5.8 per cent inflation rate, performance last year, presented yesterday by Mr Carlos Solchaga, the Finance Minister, was upstaged by the pros-pect of widespread industrial unrest after the apparent breakdown of talks between the Government and unions on wages and unemployment ben-

Mr Solchaga said provisional figures indicated a growth in gross domestic product last year of 5 per cent, and he cited a strong surge in investment and the creation of 320,000 jobs
There was gloom in the Government, however, over a blanSolchaga termed a "final" cash offer to meet their demands. Ministers and union leaders have been holding marathon talks since a general strike on December 14.

The two sides, which had committed themselves to ending the talks by January 31, even if there were no agree ment, both said yesterday there was no point holding fur-ther sessions unless the other backed down.

causes of concern in what had

Mr Solchaga said the only

# been "a positive" economic year in general terms were a Portugal's pay-price pact at risk

DIFFERENCES of opinion between Portugal's manage-ment, unions and Social Democrat Government are jeopardizing the 1989 wage price pact.
The pact is negotiated each year by a Permanent Bargaining Council comprising the Finance and Labour ministers, the three employers' confederations, and the independent UGT and pro-communist CGTP union confederations.

To mollify workers offer a To mollify workers, after a tense 1988 when wages shrank in the face of 11.4 per cent inflation – five points above government forecasts on which

last year's wages were based — Mr Anibal Cavaco Silva, the

rises of 8.59 per cent in 1989 (level with expected inflation), a 44-hour working week and deduction by employers of workers' union dues, be passed on to the

The employers condemned the Premier and the UGT for doing a deal behind their backs, and at the Bargaining Council meeting this week declined to sign the pact. They refused to deduct union does refised to deduct annual meso - a left-wing practice, they said, imposed by the 1975 revo-lutionary government and abolished by its moderate suc-

Mr Cavaco Silva says the proposals are balanced and that the employers' attitude is

"incomprehensible in modern Europe The CGTP, too, has rejected the pact and is demanding 13 per cent wage rises to restore purchasing power. The Bargaining Council row has exupted amid threats of a

general strike over government

attempts to undo 1975 labour laws that make it almost impossible to sack workers, and to adjust hiring and firing to more flexible European Community practices.

Direct foreign investment in Portugal doubled last year compared with 1987 to an unprecedented Es133bn (E516m). Investment from EC partners represented 64 per cent of the total.

# of Ministers agreed to put the Community's weight behind hids to hold a Middle East peace conference under United Nationa auspices. Earlier this Prime Minister, personally assured the UGT leadership of De Mita pays a heavy price for the lifting of strike threat

By John Wyles in Rome

THE ITALIAN Government yesterday purchased a trade union decision to call off a threatened general strike next Tuesday, but at a price that adds to the crisis in the public finances and to evidence of growing division in the coali-

tion government. Satisfied with a marathon negotiation ending just before dawn, Italy's three union confederations, the CGIL, CISL and the UIL, signalled that the strike call would be lifted formally today.

Their leaders - respectively Bruno Trentin, Franco Marini and Giorgio Benvenuto - had not only won important con-cessions in government tax reform policies, but had also gained a role in economic poli-cy-making which their unions had not enjoyed for years. Government officials were

stressing yesterday that this step back towards traditional Italian corporatism really meant that the unions were ready to help the Governme achieve its objectives of hold-ing down public sector pay and cutting spending on health, welfare and pensions. But a 10-page "treaty" signed by both sides commits the unions only to dialogue on these issues

One significant absentee from the signing was Mr Giuliano Amato, the Treasury Min-ister and author of the plan for stabilising Italian public debt by 1992. He left before midhight and, whether he meant to or not, seemed to be disso-ciating himself from proceed-ings likely only to add to his debt management problems. This left Caristian Democrat Mr Ciriaco De Mita, leader of the five-party coalition, his deputy, Mr Gianni De Michelis (Socialist), and his Finance Minister, Mr Emilio Colombo (Christian Democrat), to make the key concession which will

confer on taxpayers from January a degree of protection against fiscal drag probably without equal in Europe. The Government has prom-

ised to adjust tax rates fully in line with inflation if price rises in any year have risen above 2 per cent in the 12 months to August 31. The first compensation will be in the 1990 budge and, with inflation at close to 6 per cent, will cost L2,000bn (9840m) in lost revenues on Mr It has also agreed to lower

employees' social security con-tributions at a possible further

Some economists, notably at Confindustria, the industrialists' association, could hardly believe yesterday that the Gov-ernment had conceded another indexed mechanism when the problem of runaway public spending owed so much to others in areas such as pensions

At the least, Mr Amato's colleagues did not seem to have paid much heed to the warning from IMF experts on Monday that there was not a momen to lose in attacking the budget deficit, now standing at 11.5 per cent of gross domestic product and rising. Govern-

ment officials argued yesterday May for the taxation of invest-that another IMF warning ment and financial income. about resurgent inflation had however, won a response since the unions had conceded that the wage indexation system should not reflect the impact of a rise in VAT rates from 2 to 4 per cent on a range of basic products.

The rest of the agreement commits the Government to tighten its plans for cracking down on tax evasion and avoidance, in particular among the self-employed and small busi-nesses. But ministers did also agree to widen the tax base by producing proposals before

The Government came to make such an agreement, in a nutshell, because it has suddenly been weakened in the last few weeks by two factors. One is that Mr De Mita is increasingly preoccupied by his battle with senior party col-leagues for control of the Christian Democratic party congress next month. The other is that both the general strike threat and the concessions were orchestrated by the Socialists whose leader, Mr Socialists whose leader, Mr Bettino Craxi, is anxious to see Mr De Mita lose that battle Mr De Mita lose that battle.

FINANCIAL TIMES, USPS No.

### AMERICAN NEWS

# Venezuelan **U-turn** on loans expected

By Stephen Fidler, Euromarkets Correspondent

administration, in a marked shift of strategy, is planning an economic programme which could obtain rapid approval from the International Monetary Fund and clear the way for loans from the Fund and the World Bank, according to international bankers.

The country's foreign bank creditors are being told that the programme will be

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the programme will be announced by Mr Carlos Andrés Pérez shortly after his manuguration on February 2. If announced as expected, the programme will mark an about-turn in the country's approach to international economic management. In the past, the Venezuelan Government has been implacably opposed to an IMF-sponsored

package. Mr Pérez has been viewed abroad as a populist on the debt issue. His officials have been talking with the IMF on the proposed package, but it could well be presented as a enezuelan initiative which

meets IMF approval.
Members of Venezuela's bank advisory committee were meeting yesterday in New York and were briefed on the

York and were briefed on the new plan by Venezuelan officials, including Mr Edgar Leal, the new debt negotiator.

"It's a conventional, orthodox plan and they should be able to move ahead very quickly with a letter of intent from the IMF," said one sentor banker in New York. An IMF programme would clear the programme would clear the way for a rescheduling and new funds from the commercial banks, requests for which were being strongly resisted

Any programme which would obtain IMF approval could be expected to lead to reductions in the public sector deficit, changes to interest rates, a freeing of restrictions on the private sector, and tar-

VENEZUELA'S incoming iffs and adjustment to the exchange rate, which currently

exchange rate, which currently encourages capital flight.
in fact, a devaluation would itself help the government deficit, since public sector companies, including the oil monopoly, are involved in a large proportion of exports. Some moves are also expected to alleviate the effect of such action on the public sector. on the private sector.

The country has an overall foreign debt of about \$36.5bn (£20hn). The Government said at the beginning of the year that it would suspend principal repayments on much of its \$30hn foreign debt to banks. The Venezuelan government yesterday signed agreements for \$117.2m in new loans with Bank of America and three

Bank of America and three Venezuelan commercial banks, Joe Mann adds.

CANTV, the government-owned telecommunications concern, is to receive \$80m for modernisation projects in the country's domestic telephone network. Bank of America is providing \$75.8m and Banco is providing \$75.8m and Banco providing \$75.8m and Banco Consolidado, a commercial

bank, \$4.2m. Terms for the CANTV credits are an eight-year payback period with three years' grace at 1 percentage point over Libor, with a guarantee from the Republic of Venezuela. In another operation, the Republic obtained \$37.2m to finance on-going work for the Caracas Metro and other public

The funds are being supplied by two other commercial banks, Banco Provincial and Banco Mercantil. Terms for this loan are similar to those of the CANTV credit, a govern-ment official said.

The Venezuelan government has a foreign debt of \$25.6bn. On December 31, it declared a moratorium on principal pay-ments for most of its debt to international banks, which came into effect last week.

# Garcia hits out at IMF 'shock' plan

By Veronica Baruffati in Lima

PERUVIAN President Alan

since Mr Carlos Rivas Davila, the Finance Minister, returned from Washington after talks with the IMF and World Bank, Mr Garcia said: "We need more dollars coming into the coundollars coming into the country than going out. If this does not happen, then there is no point negotiating [with the IMF] — we will only end up paying more and decapitalise the little we have."

Mr Garcia said his Govern-ment would continue with its gradualist policy, initiated last September, of issuing periodic

economic packages.
"The shock [stabilisation] "The shock [stabilisation] programme proposed by the IMF would bring tremendous social consequences with it. If our small economic packages already have serious social impact, one big super shock programme would have dramatic social and even political consequences," Mr Garcia warned.

He described the IMF stabi-The state of the s

"We have the oil resources Garcia launched a strong and the mining and agricul-attack against the Interna-tional Monetary Fund yester own development. We cannot own development. We cannot fall into the colonial trap of day amid attempts to pursue a fall into the colonial trap of policy of rapprochement with international lending agencies. solve the problem of Peru and solve the problem of Peru and Latin America...Would it do the national economy any good to pay \$1bn now in the hope that they lend us \$200m in two

> Mr Luis Alberto Sanchez, Peru's Vice-President, supports the tenets of an IMF pro-gramme. He favours the appli-cation of a shock which would

cation of a shock which would halt inflation and give Peru access to fresh loans.

However, Mr Rivas, the Finance Minister, also expressed donbts about the austerity programme.

Mr Rivas had been in the forefront of mending bridges with the IMF and had indicated this month that Peru

with the IMF and had indi-cated this month that Peru would consider making a token payment of \$30m to this end.

"I am not going to pay the \$30m unless I get something in return... The IMF programme would put an even heavier bur-den on our already poor peo-ple," he said.

Mr Garcia also announced that the Soviet Union would

# Pemex may lay off 40,000 workers

By Richard Johns in Mexico City

AS MANY as 40,000 workers or nearly 20 per cent of its labour force - may be laid off by Petroleos Mexicanos (Pemex) as a result of a restructuring programme, according to reports in Mexico

Pemex had no immediate comment on the report in the newspaper El Financiero, which said manpower cuts would save 3,000hn pesos (£730m) in the wage hill of the corporation, which in interna-tional terms is grossly overmanned, partly because of the power of the oil workers' union. The arrest this month of Mr

Joaquin Hernandez Galicia, spiritual leader of the Oil Workers of the Mexican Revolution, and 48 of his top col-leagues could eventually open the way for a radical re-organ-isation. On Wednesday, the Attorney-General said Mr Hernandez, known as La Quina, had been accused of ordering the murder in 1983 of Mr Oscar Torres Pancardo, who was sec-retary-general of one of the union's sections.

The killing is said to have been carried out by Mr Ramon Vazquez Mata, alias El Gavi-lan, an associate who was arrested recently in Monterret with five tonnes of marijuana, and by another associate. A recent survey of 50 oil companies worldwide showed

Pemex to be bottom of the league in earnings per employee at \$73,000 compared with \$187,000 for Petroleos de Venezuela, a comparable state oil corporation with a smaller output of crude oil.

According to El Financiero, the plan involves a reduction from 210,157 workers (including those not on the permanent establishment) to 170,157.

From 1982, the proportion of Pemex spending accounted for by wages and salaries rose from 5.7 per cent to II.6 per cent, more than double, though the total employed increased by only a third.

### Greenspan says buyouts peaking By Our Foeign Satff

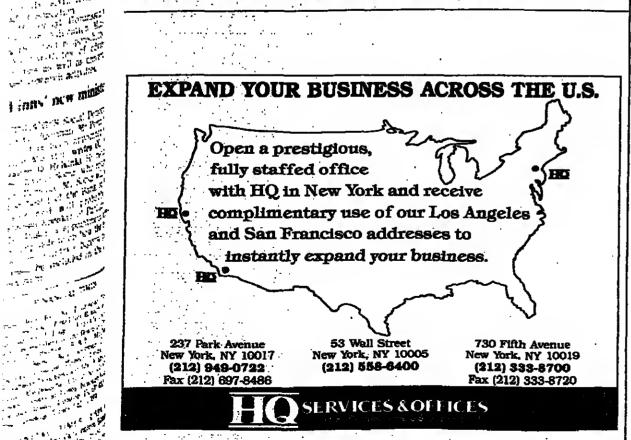
FEDERAL Reserve Chairman Mr Alan Greenspan yesterday told the Senate Finance Com-mittee there are reasons to believe that corporate leveraged buyouts and related restructurings are probably result, legislation to addre the phenomenon probably isn't required.

Mr Greenspan, however, said he would work "a lot" on supervision, especially in the banking area, to address any problems that might exist.

# Correction

Partners of Princeton/Newport were not former employees of Drexel Burnham Lambert, as reported on Wednesday. An illegal business relationship between the two investment firms was alleged in indict-ments last August of five Princeton/Newport partners and a former Drexel employee on programme would have dramatic social and even political consequences," Mr Garcia by Garcia also announced that the Soviet Union would award a credit line of \$160m to be repaid over eight years, at a make other propositions.

The test programme increase programme is mould put an even heavier burnate would put an even heavier burnate would put an even heavier burnate former Drexel employee on racketeering and frank charges. Separately, Drexel has agreed to plead guilty to a charge of fraudulent securities trading involving Princeton/Newport, which is a small New Jersey firm in the process of liquidation.



MR John Tower, President George Bush's choice as Secre-tary of Defence, faced tough questions yesterday about the ties to US defence contractors which earned him more than \$750,000 (£420,000) in two years, writes Lionel Barber in Washington.

Appearing before the Senate Armed Services committee reviewing his nomination, Mr Tower, formerly a Texas Republican senator, conceded that there was a "perception problem", but said he would bend over backwards not to favour his former employers. Mr Tower worked as a con-sultant to Martin Marietta,

LTV Asrospace, Rockwell, Tex-tron and the US civil aviation sales subsidiary of British Aerospace after resigning as US negotiator in the strategic arms reduction talks in Geneva in 1986.

The Senate is expected to confirm Mr Tower, though doubts remain about his man-agement skills, his ties to the defence industry and his ear-

lier strong advocacy of the \$2,000bn military build-up

Some critics have suggested that the controversy surrounding his selection will inevita-bly weaken his standing in the Bush cabinet and make it more difficult for him to win support for the inevitable battle over defence spending in a new era of ansierity.

Mr Tower, who chaired the Senate Armed Services com-mittee between 1981 and 1985, said he expected to tighten rules governing defence con-sultants working for the Pen-

The new rules would probably force consultants to regis-ter if they were working for the Pentagon and other big

Mr Tower said that if he was confirmed as Defence Secretary, he would withdraw from any discussions on whether to disbar any of his former defence contractors as a result of the procurement scandal.

Whilst Italians wouldn't agree that all suits are the same - and why should they, after all Italian suits are probably the best in the world - they

# CHICAGO FRAUD INVESTIGATION

# Mercantile body joins probe

By Deborah Hargreaves in Chicago

IN THE wake of the big FBI investigation into fraud at Chicago's futures exchanges, the Chicago Mercantile Exchange has set up a panel to look into its trading rules.

The panel, which comprises prominent futures industry figprominent futures industry fig-ures including Ms Susan Phillips, former chairman of the industry's regulatory body, will look at all transaction rules and procedures. Exchange officials admit that trading abuse does occur among the CME's several thou-sand members and say the panel will recommend struc-tural improvements to enhance

trading practices.
"There will be no sacred cows," said Mr Leo Melamed, chairman of the CME's execu-tive committee, who expects the nine-member panel to makes its suggestions in two to three months time.

The CME's announcement The CME's announcement came as subpoenaed traders began testifying before a grand jury, in the widest inquiry into the futures industry ever launched in the US. More subpoenas were handed out yesterday in what one trader called a "subpoena derby".

Traders believe the FBI left two "moles" on the exchange

trading floors after the disclo-sure of the investigation last week. These agents were working as runners or clerks - a messenger function which put them in a position to gather much trading information.

The formation of the CME's parel is a move to fend off the

panel is a move to fend off the inevitable calls for harsher reg-

ulation of Chicago's markets in the wake of the FBI probe. "These sort of things are not good for public trust," said Mr Jack Wing, chairman of the Chicago Corp, who will also att on the panel. "We're all con-cerned that there will be an overkill on regulation."

# Argentine barracks rebel identified

THE leader of the group which took over La Tablada army barracks in the outskirts of Buenos Aires on Monday has been Mentified as the head of the People's Revolutionary Army (ERP), a left-wing extremist organisation active during the 1970s, Janette Stan-

bus writes from Buenos Aires.
Mr Enrique Gorriaran Merio
has a long terrorist record
which is alleged to include
leading the 1980 assassination attack in Paraguay on Mr Anastasio Somoza, the Nicara-guan former dictator.

The other prominent group

involved in the attack was the All for the Fatherland Movement, a group that has made headlines recently for its allegations that Mr Carlos Menem, the opposition Peronist presidential candidate in the election part May had met Calcard. tion next May, had met Colonel Mohamed Ali Seineldin, who led an uprising of army rebels

Mr Jorge Bañas, the founder of All for the Fatherland, was killed in the attack. He was a well-known and articulate lawyer with a respectable career defending human rights. He

gent Party, 2 splinter group from the terrorists, until 1985. Last week he appeared on television chat shows accusing Mr Menem and Mr Seineldin of conspiring against the Govern-

The motive for the attack is still unclear, but a leaflet found on Mr Alberto Farfan, one of the 28 insurgents killed in the fighting, said they almod to pre-empt the army from

staging a military coup.

The leaflet referred to the terrorists as members of an unknown group, the Popular Resistance Front.

# Amazonian tribes meet over dam plan

By Ivo Dawnay in Rio de Janeiro

**ELEVEN Amazonian tribes are** to hold a five-day mass gathering in Altamira, in the state of Para next month to protest at the Brazilian Government's plan to construct a major dam

complex in the region.

The meeting, believed to be the largest of its kind ever held in the Amazon, is expected to

be attended by more than 1,000 tribesmen, alongside representatives of ethnic Indian groups from the US, Canada and Malaysia.

Its aim is to put pressure on the Government to provide more information on the Xingu River hydroelectric scheme,

involve as many as five dams in the eastern Amazon, flooding 7.200 square km of rain for-

Officials of Electronorte were unavailable for comment yesterday, and it remains unclear how far the Xingu River project is advanced.

# Interior

certainly would agree that in banking it's what lies behind these pin-stripes that makes the difference. Especially so in their own country, with its many-sided economy and range of cultures Is many-sided economy and range of childres. In Italy Credito Italiano has earned itself the affectionate nick-name of "La Banca in doppiopetto grigio". (Loosely translated, "The bank in the pin-striped suit"). So, as the name implies, we are strong, professional and reliable. But behind the serious facade we're also friendly, young at heart, dynamic and very adaptable. Founded 118 years ago, Credito Italiano today has nearly 500 branches in Italy alone, but more importantly, we are the number one Italian bank in terms of geographical distribution of our branches. So we really know what we're talking about on our home ground. But we're also at home all over the world, with a direct presence in the main financial centres and our global in the main timancial centres and our global network of correspondent banks.

We were the first Italian bank to open in London, and our branch is now the point of reference for lira exchange deals. Our experience is enormous and is growing all the time.

To operate successfully in Italy you need a strong, knowledgeable and adaptable partner. At Credito Italiano we're ready and waiting.

Whotever your size or wherever you are, we'll Whatever your size or wherever you are, we'll give you the personal attention you're looking for. banking with understanding

The state of the s

### **OVERSEAS NEWS**

# Irish and Iranian envoys work on hostages' release

irish and Iranian governme were underway yesterday as hopes rose for the release of two more hostages held in Leb-

Reports circulating in Dublin said that Mr Brian Keenan, an Irish teacher, and Mr John McCarthy, the British journal-ist, were about to be released. While the Dublin Government would say nothing officially, Mr Brian Lenihan, the Irish Foreign Minister for Foreign Affairs, was said to be optimis-

Anars, was said to be opinionatic about developments.

In Beirut, Mr John Ramsey, the British ambassador to Lebanon, said his embassy was urgently checking the latest reports concerning the hos-

DIPLOMATIC moves by the Ali Akbar Velayati, the Iranian Foreign Minister. Dr Velayati has been meeting pro-Iranian guerrilla groups suspected of holding Mr Keenan and other

In recent months, both Mr Charles Haughey, Ireland's Prime Minister, and Mr Lenihan have had meetings with Dr Velayati, and it is believed that Ireland has been carefully working behind the scenes to obtain Mr Keepen's try to obtain Mr Keenan's

Britain has also stepped up pressure for the release of its hostages in recent weeks. The

In Beirut, Mr John Ramsey, the British ambassador to Lebanon, said his embassy was urgently checking the latest reports concerning the hostages.

On Wednesday, a report from Beirut in the newspaper, al-Hayat, which is published in London, said that Mr Keenan and Mr McCarthy could be released within 72 hours. The reports made no mention of Mr Terry Waite, the special envoy of the Archbishop of Camterbury, who is also hostage.

Mr Pat McCabe, the Irish Ambassador to Iraq, who is also accredited to Lebanon, was yesterday on his way to Beirut to investigate. Mr Declan Connolly, Ireland's Ambassador to Saudi Arabia, is in Damascus, and is reported to have made contact with Dr

# Iranian minister says Briton will be punished

By Andrew Gowers, Middle East Editor

MR ALI Akbar Mohtashsmi, Iran's Interior Minister, said yesterday that Mr Roger Co-per, the British businessman who has been held in a Tehran jail for the last three years, would be "punished according to Islamic laws" for alleged

The statement from one of the regime's leading hardliners, transmitted by the offi-cial Islamic Republic News Agency, indicated that Tehran has yet to decide on Mr Cooper's fate despite a deliberate increase in pressure for his release on the part of the Brit-

At a London conference on Al a London conserence on Iran last week, Mr William Waldegrave, the junior Foreign Office Minister, placed the "wholly unjustified" detention

list of ontstanding problems between Britain and Iran, "It is important that these problems should be resolved soon. Other should be resolved soon. Otherwise they will obviously limit the possibility of constructing a full and warm relationship with Iran," he said.

Mr Mohtashemi, who vigorously opposes efforts by pragnatic Iranian leaders to mend fences with foreign powers.

matic iranian leaders to mend fences with foreign powers, said Mr Cooper had "made some confessions".

He added: "Britain's request that its spy should not be tried stems from its arrogant nature. How can we trust a country which interferes in the internal affairs of others and which dispatches spec to Iran?" patches spies to Iran?" In London, the Foreign Office said it had not received any formal indication that Mr SINO-SOVIET RELATIONS

# Shevardnadze 'to meet Deng'

By Colina Macdougail in London

MR Eduard Sbevardnadze, the Soviet Foreign Minister, is expected to meet Deng Kisoping, China's senior leader, in Shanghai during his visit to the People's Republic from 2-4 February, according to Soviet representatives in Peking.

While this meeting has not yet been confirmed by the Chinese side, if it takes place it will be a key encounter in the rapprochement between the communist giants.

communist giants. Mr Shevardnadze's visit to Mr Shevardnadze's visit to China, intended to pave the way for a Sino-Soviet summit in April or May, will precede one to be made by Mr George Bush, the US president, following his attendance at the funeral late next month in

Japan of Emperor Hirohito.
While there is no sign that
the Chinese have planned

Day divides

IT WAS Australia's 201st birthday yesterday, but you wouldn't have known it. Most

people went to work. Quite appropriately, it provoked a national controversy.

The problem is that this year Australia Day fell on a Thursday. The governments of Victoria, Queensland, South Australia and Western Australia decided to make next Mon-

lia decided to make next Mon-day the holiday to prevent workers from adding Friday "sickles" to Thursday to get a

However, in New South Wales, where the white settlement of Australia began in 1788, in the federal capital of Canberra and in Northern Testlement the administrations.

ritory, the administrations decided such an important holiday should be taken on the day it occurred. So they had the holiday yesterday — and expostulated on the behaviour

of their counterparts. For Mr Nick Greiner, Liberal

Party Premier of New South Wates and son of Hungarian

migrants, it was all too much in a country which had just celebrated its unity so extro-vertly through a lavish bicen-

"We don't move Christmas.

We don't move our birthdays," he said. "I just do not under-

stand how any sensible person could suggest you have a seri-ous national day and you it

National

Australia

By Chris Sherwell in

these meetings to succeed one another so closely, the Soviet side may now feel under pressure to woo Peking still more eagerly. While the "three obstacles" which the Chinese originally put forward as preventing the normalisation of Sino-Soviet relations (withdrawal of Soviet troops from their joint border, withdrawal from Afghanistan and withfrom Afghanistan and with-drawal of the Vietnamese from Kampuchea) have considerably diminished, they are still not President Bush is an "old friend" of China, having headed the US Liaison Office (which represented Washing-ton before the restoration of full diplomatic relations in

1979) in the mid-1970s, and his election as president was wel-comed. The choice of Shanghai as a venue for air shevard-nadze's meeting with the Chi-nese leader is probably the npshot of Deng's custom of wintering away from Peking in the warmer south. It is unlikely the Chinese will con-firm it until the last moment since their normal practice is to announce such events at

to announce such events at short notice. This avoids embarrassment should earlier talks go bally or if the octogenarian leader catches flu. The possibility of the meeting indicates, however, that the aged Deng, on whom the progress of China's reform still probably depends, is in good enough health to face an important interview. Soviet important interview. Soviet representatives have indicated they suggested Mr Shevard-nadze meet Deng to reciprocate for the interview President

Gorbachev gavs to Qian Qichen, China's foreign minis-

ter, during his visit to Moscow in December.

Mr Shevardnadze will be the first Soviet foreign minister to visit China since late 1959, before relations between the countries collapsed over differ-ences in ideology and histori-

cal rivalry.
The last Sino-Soviet summit was in 1959 when Mao Tsetung met Nikita Khrushchev in Peking. In the late 1960s the countries came to blows along the border, and though peace of a kind was later restored. only since President Gorba chev came to power has there been real progress in relations. The Chinese do not, however, foresee the restoration of the fraternal bonds which existed in the 1950s.

# French scheme in Nigeria may restart

CONSTRUCTION work stalled for months at the site of Africa's biggest steel plant could resume soon following an agreement on funding between France and Nigeria, a Nigerian minister said yesterday, Reuter reports from Lague.

We have discussed details of covering sums outstanding to contractors and arrangements for future work," said Mr Bunu Sheriff Musa, He said the aim now was to

meet a new 1991 completion date for the \$3m first phase of the Soviet-designed Ajackuta steel project, which was origi-nally set for 1988. It was pushed back because of financing difficulties. Details of the deal, signed in Lagos last Fri-day, would be announced later by the office of budget and planning, Mr Musa said. French Embassy officials here declined to comment on the accord, which followed negotiations between Nigeria,

the French export credit agency Coface, and Dumez and Fougerolle, two French firms which called a halt to most of their on-site last year because they had not been paid. The project was conceived in the oil-rich 1970s as the heart

of an integrated Nigerian steel industry requiring new rail-ways, river dredging and coal and iron ore mines to feed 440 industrial units on a 16 sq km site by the River Niger, 500km northeast of Lagos. Funds dried up as oil revenues collapsed in the early 1980s.

# Tel Aviv court lets **Koor sell shares**

By Andrew Whitley in Tel Aviv

IMMEDIATE financial worries at Israel's Koor Industries have been alleviated by a Tel Aviv court's approval of the sale of its 24.3 per cent holding in Teva, a large pharmaceuticals company, for \$34.3m (£19.7m).

Meanwhile, the crisis at the Middle East's largest industrial group appears to be moving towards an agreement among Koor's creditors, which would permit Bankers Trust of New York to withdraw a liquidation application filed last October. Israeli bankers said yestenday that, barring any unexpected complication, there were grounds for optimism that an out-of-court settlement could be reached soon.

The two key issues holding up final agreement are said to be details of a deht repayment schedule to foreign creditors and the demand of overseas banks to play a role in supervising a recovery programme for Koor Industries.

vising a recovery programme for Koor Industries.

Under this programme, Koor would dispose of some \$230m in assets. Last Sunday, the Tel Aviv district court extended

the deadline to February 12 for the parties in the dispute to reach an amicable settlement. reach an amicable settlement.
But this date may prove premature to complete all the
technical aspects of the current
negotiations. Conclusion of the
Teva equity sale — to a local
consortium set up especially
for this purpose — is being
expedited, to permit the relacts
of urgently required cash to
Koor.

Koor's largest subsidiary, Tadiran, may follow the same route has been put on ice, temporarily. The urgency is reported to have faded following the resolution of a dispute with the israeli Treasury over the release of \$50m in promised fresh equity capital, and the court's approval of the Teva

An understanding was reached last weak for govern-ment capital to be transferred to the troubled group, boosting its debt-equity ratio. The funds will be used in stages in line with Koor's five-year recovery

# Shamir makes rare south Lebanon visit

By Andrew Whitley

Israeli Prime Minister, yester-day paid a rare visit by helicop-ter to an Israeli-controlled belt of southern Lebanon.

Israel is anxiously monitor-

ing the progress of internecine fighting a few miles away between Lebanon's two rival Shia militias, Amal and Hizhollah. After talks with General Antoins Lahad, head of the South Lebanon Army, an Israeli-financed and equipped force, Mr Shamir declared that the inter-Shia contest for supremacy confirmed the need for Israel to maintain its present

posture in the region.
Israel is regularly subject to Western pressure to pull its remaining forces back across the international frontier. An estimated 1,000 troops accom-panied by armoured units have patrolled a country-wide strip of Lebanese territory since mid-1985, when the hulk of Israel's army withdraw at the end of a three-year war. Gen Lahad, who escaped an

assassination attempt last November, returned on Satur-day from an Istaeli hospital to his headquarters in Marjayoun – five miles north of the

MR YITZHAK SHAMIR, the by his followers with a hero's

In a separate move likely to m a separate move likely to generate further international criticism of Israel, SLA militiamen on Wednezday expelled another batch of 35 Lebanese villagers from the so-called "security zone". Among them were 26 children. The latest deportees said later that they had refused to serve in Gen Labad's mainly Christian Lahad's mainly Christian

force. On Wednesday, Israeli on Wednesday, Israeli experts asserted that Iran had not abandoned its quest to confront Israel through its support for Hizbollah, despite the ceasedre in the Gulf war, Mr Uri Lubrani, co-ordinator of activities in Lebanon, estimated that Iran Tax monding mated that Iran was spending between \$60m and \$100m a year in maintaining its influ-ence in Lebanon.

This level of support had diminished only slightly since the ceasefire, he said. ine coaseme, he said,

Iran's money was reported to
be going on building projects,
such as schools, hospitals and
cultural centres, the training of
military personnel, and the
provision of a detachment of several hundred" Iranian Revolutionary Guards.

# MP tries to impeach SA judge | Afghanistan mine-clearing task 'biggest in history'

call for the impeachment of s judge who recently freed a white farmer who had beaten a black labourer to death. The farmer, Mr Jacobus

Vorster, was found guilty of culpable homicide and was sentenced to five years in jail which was suspended provided he pays the dead man's widow R130 (£30) a month for five

Mr Vorster and s co-accuse Mr Petrus Leonard, had tied Mr Eric Sambo to s tree and

MRS HELEN SUZMAN, the ropes two months after Mr liberal South African MP, is to Sambo had killed one of Mr Vorster's dogs.
The two white men left Mr
Sambo tied to the tree overnight and continued their assaults the next day. They then took Mr Sambo to the

> have outraged the Johanneshurg Bar Council which described the sentence as "so grossly inappropriate as to induce not simply a sense of shock, but one of outrage and

police but he died in custody of internal bleeding. The judgment and sentence support behind the Conserva-tive Party which promises a return to old-style apart-

The Bar Council also criticised Judge Strydom's finding that Mr Vorster would "suffer embarrassment" if he was found guilty and jailed.

Mr Vorster farms in the northern Transvaal where profits depend largely on poorly-paid labourers. Voters in the ion have increasingly des erted the ruling National Party in protest at legislation which allows men to leave the countryside and have swung their

AFGHANS have a tendency to

AFGHANS have a tendency to sell any piece of metal they can lay their hands on. Everything captured during the war from Soviet Mig-27s to government laboratories is quickly stripped and the pieces all along the

metal bazaars all along the

border with Pakistan. Telling some 3m Afghan ref-ugees that certain metal

objects should be left alone sounds an impossible task but a team of 80 American, French and Turkish soldiers hope to

do just that.

They, along with a pack of dogs, make up what a UN offi-

harbour challenge re-run yesterday

weekend on a different date

Mr Bob Hawke, the Labor Prime Minister, agreed, calling the arrangements "absurd". He has made 1989 a year to campaign for people to become Australian citizens, and he said they were confused by the states' different approaches. In

Twelve-metre yachts of America's Cup rivals Denuis O'Connor of the US and Iain Murray of Australia race in the Sydney

national leader of the opposi-tion Liberal Party. tion Liberal Party.

The Australian stock market, mads up of exchanges located in the state capitals, dealf with the problem its own way. The floors all stayed open yesterday, and they will all stay closed on Monday.

In Sydney, locals descended on their favourity locals. their favourite loca-

cial describes as "the largest mine-clearing operation in his-tory". The latest US army and UN reports estimates there are

Afghanistan. In a two-week

course the 80 engineers descending on Peshawar hope to make the Afghans fully

When Soviet forces occupied

Afghanistan in 1979 mines

were laid just around military

posts. By 1981 the Soviet army

realised it was fighting a civil-ian army and began scattering

mines randomly in fields and

dropping millions of plastic

tween 30m and 50m mines in

# bombs from the air. They can-not be detected with metal detectors and were designed to maim rather than kill as if

one man loses a foot another

is put out of action carrying

For most of these mine-fields there are no maps. Mr Steve Mastey, who is co-ordinating earing efforts of private voluntary organisations claims: I expect Afghans to continue being blown up for the next 50 years. There could be as many casualties from mines as there have been from

In the absence of any technological equipment, the Mujahideen have been using their hands to clear mines, scrabbl-ing in soil and often losing limbs in the process. Where they are available herds of goats are sent ahead as advance party and in Loghar guerrillas use Heath Robinson-type garden rollers constructed of oildrums filled with sand mounted on 40ft poles.
Of the two proposed programmes – mine-awareness

and demining — one of the US advisers says the latter is more important. "We have to teach

them to take the things apart because we know in the real world they will try to take out the explosive and use it for cooking while they will sell the

scrap-metal."

• Hundreds of civilians were killed earlier this week when the Soviet Union and Afghan regime's army attacked villages at both ends of the Sal-ang Tunnel on the main route connecting Kabul to the Soviet Union following guerrilla attacks on Soviet convoys. Western diplomats said the reprisals demoliraed every village in the arer.

# Silver economic lining to Malaysian political cloud

Strong recovery in past two years follows recession, writes Robin Pauley, recently in Kuala Lumpur

ALAYSIA has, to revive an overworked pun in the country which is the world's largest producer of rubber, bounced back from recession with two years of strong economic

But what bounces up often comes down quickly. The key to avoiding a future sharp collapse in the country's fortunes depends on the extent to which the economic base can be diversified and strengthened, with less reliance on agriculture and commodities and a greater contribution from a competitive manufacturing sector. So far, it is looking good, the storm clouds being political rather than economic. In addition to its dominance

in natural rubber, Malaysia leads the world in paim oil and tin production and is a major producer of timber, cocca and pepper. The commodity sector, including oil and gas, accounts for nearly two thirds of gross domestic product. If oil is excluded commodities account for sbout 40 per cent of

Like other countries, notably Australia, which had had it too easy for too long on the back of the seemingly endless demand for ever more expensive natural resources, Malaysia was hit hard when the slump came. Falling oil prices only added to the pain. Real GDP contracted by 1 per cent in 1985 and grew by a miserable 1 per cent 1986. In 1987, growth zipped back up to 5.2 per cent and the esti-



MALAYSIA mate of 7.5 per cent for 1988

looks conservative. The reces sion squeezed the annual rate of increased consumer price inflation down to around 0.5 per cent where it remained in 1987 before nudging np towards 2.5 per cent in 1988. Part of the recovery is due to the rapid recovery in world commodity prices. We will certainly be adversely affected if there is a fall in commodity prices but we are now in better shape to face this if it does occur. We have strengthened domestic demand, private investment has picked up strongly through the improvement in the investment climate, the public finance posi-tion is much stronger," says Mr Daim Zainuddin, Minister

The Minister of Primary Industries, Dr Lim Kheng Yaik, agrees: "The rebound of commodity prices has not put air into our heads. We must become more industry-orien-

tated. I now urge commodity producers to become traders, to buy and sell, to go down-stream with their earnings from their commodities. So timber producers are going into plank and furniture production, rubber planters are manufacturing down the line to turn out rubber gloves and latex products, palm oil production of edible and non-edible palm products. We are convincing people that commodities along any not the foreman."

alone are not the future." The statistics tend to bear this out. While the shares of GDP accounted for by agricul-ture and mining in 1989 will remain around the levels they were in 1981 and 1985 – about 21 per cent for agriculture and 10 per cent for mining – man-ufacturing's share in 1989 should be about 25 per cent — up from 20 per cent in 1981 and

There are two other factors which suggest that Malaysia may be able to sustain its current high growth rates and yet not overheat. One is the com-petitive level of the Malaysian currency at around 2.60 ringgit to the US\$, against which it has declined by 7.5 per cent during 1988; during the last four years, the ringgit has depreciated by 10 per cent against the US dollar, 55 per cent against the PMark and 20 per cent against the PMark and 20 per cent against the Singapore per cent against the Singapore

It shows on the trade accounts: US\$5bn surplus on visible trade and US\$2bn sur-

plus on current account of the balance of payments in 1968. Suggestions, principally from the International Monetary Fund, that the currency might be revalued, have so far met with a cheerful but determined

The other optimistic feature is the level of foreign invest-ment which enjoys a range of incentives, at least until 1990. In the first nine months of 1988 more than US\$1.2bn of foreign investment flooded into Malay-sia compared with \$750m for the whole of 1987 and \$525m in

The catch, as occurs predict-

ably now in much of South East Asia, is that the lion's share of foreign investment is coming from just one country: Japan. In 1986 the Japanese accounted for just under a tenth of foreign investment, in 1987 30 per cent, and in the first half of last year a third or \$329m, compared with \$98m from the next largest investor, the US.

We do want to balance the foreign investment so that no country dominates, but we are certainly not about to tell any country please stop investing because you have finished your quota. We will just try to per-suade other countries to increase their investment said Dr Mohamad Mahathir,

the Prime Minister. Last autumn's expansionary budget underlined Mr Daim's determination to pursue the same course during 1969 with restraints on public spending, incentives to the private sector

Malaysia GDP % changes over previous year at 1980 prices

% changes over previous year

and reform of the tax system

being the top priorities. Fiscal policy is aimed at getting the federal deficit down further. The public sector deficit is down from 19 per cent of GDP in 1982 to 9 per cent in 1988, with a concomitant fall in interest rates to s 20-year low. Further reductions are likely, providing inflation does not look like breaking loose.

Tax reform has already started with the closing of a number of loopholes, a cut in corporate taxes from 40 per cent to 35 per cent and the phasing out of the 5 per cent development tax charge which will be completed over five years. However, tax cuts are

falling revenues and the tax base needs to be broadened

Mr Daim has been trying Mr Daim has been trying and failing to introduce a Value Added Tax since 1985. He is determined to delay no longer and wants VAT to be the centre-piece of this year's budget. If it is not, further development of his economic strategy will be seriously ham. development of his economic strategy will be seriously hampered. "We need VAT. I hope to be able to introduce it by 1990 at the latest," he said recently, adding "I'm already behind time."

There seems little doubt that in the near future Malaysia can continue to outperform the world economy and maintain the level of economic energy exhibited by the small but strong East Asien economies, although growth in 1989 proba-bly will be lower than 1988.

But there is a political dan-ger, the country's leaders have become increasingly repressive become increasingly repressive during the last 18 months, citing fears of racial disharmony. among other things. Foreign and domestic investors tend not to be deflected by such

With Dr Mahathir seriously ill, his ruling New UMNO party deeply divided and the opposition becoming increasingly agitated about detentions without trial and curtailment of civil liberties, there is much more to keep an eye on than the usual economic fundamen-

# Omron men must stick to their computers

By Stefan Wagstyl in Tokyo

OMRON Tateisi Electronics. the Japanese control equip-ment company, is to make it mandatory for 1,000 top executives to carry portable personal computers around wherever they go. The group wants its staff to be on call round the clock to speed up decision-making, in a move which brings the paperless office one step

closer to reality.

Executives will be expected to bring their machines to the office every morning and take them home in the evening just in case a crucial call from London or New York comes through late at night.

The company said there had here no protests about the

been no protests about the scheme because employees had been consulted before it was announced. It did not expect any difficulty training staff hanko is one option.

since "personal computers are easy to use". Omron, which specialises in making equip ment for running factories by remote control, intends to spend about Y500m (£2.2hn) on the scheme over four years. The most important role for The most important role for the computers will be to act as an electronic message system. For example, directors could be invited to a board meeting by computer and send their replies back the same way. Omron said it was working on two outstanding problems. One was how to prevent junior stail from seeing data destined for their seniors. The second was how to allow executives to approve documents in the

# Malaysia frees detainees

By Wong Sulong in Kuala Lumpur

MALAYSIAN authorities yesterday released another five political detainees, including Karpal Singh, a prominent human rights campaigner and opposition member of parlia-ment after holding them with-out trial under the Internal Security Act for the past 15 months

The five were among 120 government critics arrested in a security crackdown in October 1987. The government said the operation was necessary to

The latest release gives rise to hopes that the remaining half dozen or so detainees will be treed soon. They include Mr Lim Kit

Siang, leader of the opposition DAP, and his son. Guan Eng. who at 26, is the youngest MP. DAP is the largest opposition party with 24 out of 177 MPs. If Lim and his son are freed today, the desicion is Unelly to today, the decision is likely to be interpreted as an attempt by the Government to win votes at the Ampang Jaya by elecon intellectual property protec-

Asia on the other. Events of the previous months had been

sufficient warning.
The Administration found

itself divided. The office of the US Trade Representative

wanted tough action. The dip-

lomats and strategists of the State Department and National

Security Council urged

They all knew the issue would take much longer to

reach the Thai political agenda if they did not threaten retalia-tion. They also knew that they

could arouse Thai nationalistic

indignation and even destabil-

their objectives even more dif-ficult to achieve.

with their trade laws and private sector petitions of com-

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US trade officials, armed

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HILLAY JANUARY BY

# UK MPs urge sharp cut in CoCom curbs

of national discretion in award-ing export licences coupled with a greater flexibility on the part of CoCom in considering the end use to which sensitive equipment is put. The commit-tee said it was "over-cautious" to ban the export of computer-

ised systems for industrial plant and recommended arrangements to be made for on-site inspection of such equipment if diversion to mili-

tary use would pose a threat.

• Fewer technical restric-

tions, such as computer memory size. "Additional memory can be added on to a computer fairly simply. There therefore seems to be no logic in ban-

seems to be no logic in teah-ning the export of one unit of 10 megabytes of memory capac-ity but allowing the export of 10 units of one megabyte mem-

"These are sreas in which the UK is denying its compa-nies potential trade in the East. We have not received any

evidence on the strategic importance of restricting the export of such items to Eastern

The report said committee members had "seen and heard about" equipment in Eastern Europe which had heen exported in breach of CoCom

rules. At the same time it said it had come across the case of a British archaeologist work-

ing in Bulgaria who was not allowed to have with him the

micro-computer he normally

used for work in the UK.

It called for more openness in the implementation of the rules, adding that most objections to UK applications for

CoCom licences come from the

US on technology grounds.

Processing of applications within CoCom should be fur-

ther speeded up it said. The Department of Trade and

Industry should conduct a

study on the impact on trade of CoCom restrictions and the

matter should be debated each

ory capacity.

AN IMMEDIATE and radical cut in Western restrictions on sales of sensitive technology to communist countries was urged yesterday in a report by an influential group of UK par-

A report by the all-party
House of Commons Trade and
Industry Committee said: "The
time has arrived for a major reform of the whole procedure. This would be timely, given the major economic reforms accomplished, in progress or planned in Rastern Europe." Its report, on which the Government had no immediate comment, seems bound to fuel the growing debate in Europe about the role of CoCom, the 16-nation Co-ordinating Com-mittee on Multilateral Export Controls which monitors sensi-tive East-West trade. CoCom is dominated by the US which has been arguing against a relaxation of controls despite the thaw in East-West rela-

Written against the backdrop of a declining UK share in exports to Eastern Europe, the report singles out the controls as "the major self-imposed restraint on exports to Eastern

Europe".
"It has been persuasively argued before us that CoCom the page of restrictions hamper the pace of economic reform in Eastern Europe, encourage sales of high-technology equipment from elsewhere in the world to Eastern Europe and reduce economic interdependence between East and West

Among the changes sought by the committee were:

• A change in the rules to force those who objected to sales of technology to prove their case rather than, as at present, placing the burden on the country seeking permission to export. This would help prevent a log-jam of pending cases, the committee said. An increase in the exercise year in the House of Commons.

# NZ to join Soviet gas car venture

By Steven Butler

THE Soviet Union has entered a joint venture agreement with a New Zealand consor-tium to develop Soviet natural gas reserves for use as a trans-

gas reserves for use as a trans-portation fuel.

The aim is to convert vehicles to compressed natural gas (CNG), and to build a dis-tribution system that could tribution system that could service up to 500,000 vehicles in the next five years, the period covered by the agreement. This would create the world's biggest fleet of CNG-powered vehicles.

The consortium consists of Maritime Pacific, a trade group, and the Liquid Fuels Management Group, a former government agency which

government agency which established a similar pro-gramme in New Zealand in 1979 that led to the conversion of 200,000 vehicles, or 15 per cent of New Zealand's vehicle

The agreement, signed recently, calls for establishment of the venture after completing a feasibility study, due by July. The Soviet partners are the Ministry of Gas Industry and the Ministry of Automobile Transport.

The venture appears broadly

The venture appears broadly aimed at earning hard currency for Moscow as liquid fuels can be exported more easily and profitably than gas.

plaint, and seeking Thai com-HE REAGAN Adminismitments on paper, also faced tration took more than a month to decide on e dilemma in understanding the changing signals coming from Bangkok, particularly with a new government installed in August and the ascendancy of the Prime Minispunitive action against Thailand following the breakdown on December 12 of trade talks between the two governments

The Christmas and New Year holidays were only part of the cause. The dilemma facing the US Administration was to strike a balance between the pressures of the trade lobbies and Congress on the one hand and to avoid diplomatic and political problems in one of its The US Trade Representative wanted action, the State Department urged leniency political problems in one of its staunchest allies in South East

ter, General Chatichai Choon-

At first a lement option was agreed by the agencies con-cerned and leaked to the Thai press. Mr Reagan was to be asked to withdraw Thailand's asked to windraw Thanana's right to import duty exemptions on eight products: artificial flowers, mosaic tiles, wooden furniture, two categories of jewellery, rice meal and flour, dried mung beans, and telephonic and telegraphic conception equipment.

nection equipment nection equipment.
This represented \$165m a
year of trade against a total of
\$500m of That exports to the
US under the American version of the Generalized System

of Preferences (GSP). The reaction in Thailand was that the reimposed duties could be absorbed. Mr Clayton Yeutter, then still US Trade Representative, reportedly read the comments in the Bangkok press and held back the draft announcement in an effort to

Thai copyright war divides Washington

Peter Ungphakorn on Washington's battle against fake products in the Far East

persuade the other agencies to accept tougher retaliation. In the end, on his final day in office, Mr Reagan signed the original proposal, but Mr Yeut-

ter added a tough warning.
"I am extremely disappointed that Thailand has chopointed that Thailand has cho-sen not to provide the degree of intellectual property protec-tiou that is available in so many countries." he said. "If there are uot significant changes in Thailand'e policies in the next few months, it is my view that Thailand should be designated as a priority country under the 1988 Trade Act."

Considerably tougher action is possible under section 301 of the Trade Act, which would permit an investigation into counterfeit practices. This could burt Thailand to the tune of the \$240m or more that the Americans say they are los-ing from copyright and patent infringements in Thailand each

In dollar terms, Thailand'a counterfeit trade is probably not the worst in the world. But street stalls all over the major towns and cities, particularly in tourists spots, are loaded with copied music and video tapes and designer clothes,

bags, leatherware and watches. However, the big outstand-ing copyright issue is computer software. Thai law has yet to be tested in the courts to decide whether it covers software, and legal opinion is divided. The Americans want a

Street stalls are loaded with copied music and video tapes and designer clothes

commitment that somehow or other software will be given copyright protection. The Thai Government, again after a sometimes bitter debate and shifting negotiating positions, refused to promise that it would not propose a separate software law.

Implied in Bangkok's refusal is the possibility that software could end up under a form of patent law which requires reg-istration and disclosure of programme construction, and could provide a shorter period

Although no country so far patents software, the argument in favour is accepted privately even by members of the multinational phermeceuticels lohhy in Bangkok who are themselves pushing for protec-

lectual property issue: pharma-ceuticals patents not currently protected in Thailand.

Again the difference between Bangkok and Washington on pharmaceuticals is not a ques-

tion of whether to give protection, but the kind and timing. The Americans are only asking for new drug formulae to be patented. The Thais are willing to propose legislation hut want to walt nntil two years after the end of the Uruguay Round of multilateral trade negotiations, scheduled

trade negotiations, scheduled to be completed in 1990.

One of the results of the debate inside Thailand has been the development of a feeling that the import duty exemptions of the US GSP are hardly the American God's gift to developing countries. The to developing countries. The complaint is thet GSPs are used as a stick to beat smaller countries into submission and they are likely to be withdrawn

Although the industries making the eight products say they can absorb the costs of the reimposed duties, and Bangkok has taken Mr Reagan's announcement quietly. some foreign investors could start to look elsewhere, partic-ularly those investors whose interest in Thailand was aroused by the "graduation" of the four eastern tigers from the

# **EC** warned of import threat from E Germans

By Peter Montagnon

EAST GERMAN goods will have "almost unfettered access" to the whole of the European Community after 1992 if no effective controls are created on trade between East and West Germany, the British textile and clothing industries

Its warning, contained in e submission to the House of Commons Trade and Industry Committee, brings into the open the nagging worries of some European industries about the lack of controls on

intra-German trade. East German textile goods entering the West German market are not considered as imports which means that spe-cial privileges apply, including exemption from import duty and value-added-tax as well as

less stringent quantitative controls than those applied to other state trading companies.

Ms Lix Fox of the British Clothing Industry Association (BCIA), who wrote the submission read the industry was sion, said the industry was concerned at the reluctance among West Germany's com-munity partners to raise the issue of intra-German trade

directly in the context of

"We're very concerned that it won't be given the right attention, that it will be slipped under the carpet," she said, "When 1992 started coming closer we began to realise it was e much bigger threat

West Germany maintains it monitors intra-German trade carefully to ensure East Ger-many's privileges are not abused, but in its statement, snhmitted jointly with its counterparts from the knitting and textile industries, the BCIA said "we do not believe sufficient vigilance is exercised to prevent the continuation of

abuse".
Some 20 per cent of West
German clothing exports to the
UK originate in East Germany
and other East European countries, making for trade distor-tion and damage to UK indus-

try, it said. A particular point of concern was so-called "outward-pro-cessing" whereby West Ger-man cloth was sent to lowwage East bloc countries to be made into garments.

# **ARE YOU DOING ENOUGH RESEARCH BEFORE DEVELOPMENT?**

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Or write to The Head of Marketing and Publicity, The Patent Office, State House, 66-71 High Holborn, London WC1R 4TP.

# **ACP highlights EC** trade-squeeze fears By David Buchen in Bridgetown, Barbados

FEARS ARE growing in the 66-strong group of African, Caribbean and Pacific (ACP) countries that forces beyond

countries that forces beyond its control are squeezing its goods further out of the EC.

ACP leaders used the meeting this week in Barbados with European MPs to press home anxieties that European Community states are destroying their supposedly special trading relationship with their former colonies. mer colonies.
The EC, they complain, has given too much to other devel-

oping countries in negotiations within the General Agreement on Tariffs and Trade; is threaton Tarms and Trade; is threat-ening to scrap protective arrangements for ACP prod-ucts in the cause of creating a single EC market; and seems set against any new commer-cial concessions in the current renegotiations of the Lome Convention Convention.

Convention.
In addition, most ACP states fear dilution of BC aid and trade benefits, with Haiti and the Dominican Republic sending ministers to Barbados this week to hammer on the door for entry into the Lome club.

Fears particularly on the part of the English-speaking Caribbean, that Europe may switch its focus towards Central and South America were fuelled by the fact that it fell to two Spaniards this week to

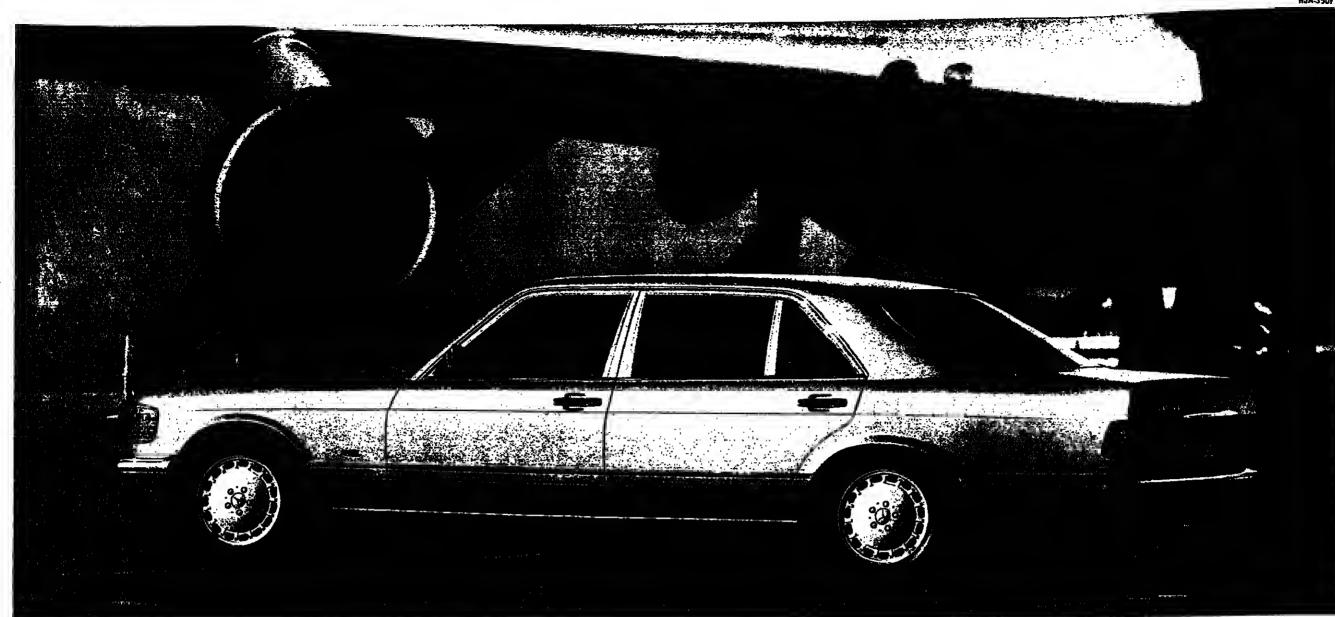
line - Mr Luis Yanez, Aid Minister of Spain, which cur-rently holds the EC council presidency and Mr Manuel Marin, the new EC Aid Com-The nub of ACP concern is

The nub of ACP concern is that whatever they may gain on EC sid, running at Ecul.7un (£1.1bn) a year, is now more than negated by disappearance of commercial advantages on their Ecus 30hm a year exports to the EC. For all Lome's vaunted benefits, the ACP share of all developing countries' exports to Europe has fallen from 20 per cent in 1975 to 14 per cent last year.

The tendency of other developing countries to steal a march on the ACP has been hastened by the Community's decision this month to cut tariffs on all tropical products.

iffs on all tropical products accoding to Mr Edwin Carring ton. Secretary General of the

ACP organisation.
The planned disappearance come 1992 - of all national subdivisions in the EC market seriously threatens ACP banana sales in Europe, EC ministers were warned this week. Even a 20 per cent tariff would not prevent Central American banana plantations from displacing necessarily higher cost bananas grown by Caribbean island smallholders.



Could any other form of travel be more restful than the first class cabin of a wide-bodied aircraft? Or more comfortable and relaxing? And what could be more welcoming at the beginning or end of a long business day? Quite simply, the Mercedes-Benz S-class.

Few luxury cars are as quiet, comfortable, spacious or rewarding to own as the topdrawer Mercedes-Benz 560SEL, for example. If you take a back seat you'll understand why first class travel is an appropriate basis for comparison. Your Mercedes-Benz rear seat is also electrically adjustable, and there's even a footrest on the floor. In the unlikely event that the front seat is pushed back to the limit, you'll still have 10 inches of rear leg room. With it fully forward, legroom behind extends to an extraordinary 22 inches.

### A REFRIGERATOR IN THE BOOT

If you wish it, the seats will be clad in the finest glove-like hide; the windows operate electrically, and each ashtray has its own cigar lighter. The atmosphere can be air-conditioned or the air recirculated. Individual reading lights are standard and you can specify heated rear seats, curtains, an electric roller blind and even a refrigerator for the boot.

### S-CLASS STANOARD EQUIPMENT

300SE & 420SE (STD WHEELBASE) ABS anti-locking broking system · Automatic Electric sunroof (tilling) Electric Electricatly adjustable steering column · Electrically operated near-side mirror Exit Inghts in doors · First aid kit · Front seat height adjusters Headlamp wash/wipe Heated door mirrors - Leather covered steering wheel and gearshift. Multipoint central locking Outside temperature gauge · Power assisted steering Rear head restramts · Recirculating air facility . Tinted glass . Twin illuminated vanity mirrors. Walnut fascia

ADDITIONAL WITH 500SE Leather or vetour upholstery Cruise control · Electric front seats - Electric agrial - Limited stro differential . Rear reading tights . Rear shelf speakers · Metallic paint

300SEL & 420SEL (LONG WHEELBASE) As for 300SE and 420SE plus: Cigar lighters in rear ashtrays Rear loot rests · Electric

ADDITIONAL TO ABOVE WITH 500SEL Air conditioning Leather or velour upholstery Cruise control Electric front seats : Limited slip differential . Metallic paint

ADDITIONAL TO ABOVE WITH 560SEL Altoy wheels Electronic radio/cassette Electric roller blind . All seats electric and heated, front with position memory levelling suspension

OPTIONAL EQUIPMENT - ALL MODELS Acceleration Skid Control Orthopaedic seats Airbag Refrigerator in boot Rear door and window curtains. Theft warning device

While some of these more esoteric items are fitted as standard only on the 560 SEL, the chart illustrates the variety and sophistication of the standard equipment on even the 300 SE.





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electromechanical fuel injection, generating 300 bhp and 335 lb/ft torque at 3750 rpm. Despite the car's 4000 lb weight, this magnificent engine can propel it from 0 to 62 mph in 6.9 seconds. On the test track the car can reach a governed top speed of 156 mph (manufacturer's figures).

Start the engine. It is a 5.6 litre alloy V8 with

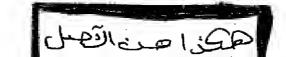
Other models in the series are the 3.0 litre 300 SE and SEL, 4.2 litre 420SE and SEL, 5.0 litre 500SE and SEL. The S-class series offers a full range of space, performance and economy options. Each is a model of modern aerodynamics. Each will handle as well as a much smaller, lighter car should the need arise.

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In 1988, more people bought Mercedes-Benz S-class models than ever before. It is a car that has won the respect of businessmen and women who can afford any car they wish. It is a car that has enormous presence on every occasion. It can be sedate or it can be exuberant. And it is as safe as the pioneers of automotive safety can make it. (Indeed, the Mercedes-Benz S-class is the world's safest car according to The Highway Loss Data Institute of the USA.) And S-class performance and breeding are a match for the car's appearance: it is strong, immaculately built, spacious, comfortable, wellmannered and unostentatious.

That is because the Mercedes-Benz S-class is designed and built by people who have a complete understanding of what today's business executives expect and need from their personal transport.

That is why there is no better way to travel than S-class.



# Government sets target for mobile phone services

yesterday unveiled a radical plan for how the mobile communications industry, already one of the British success stories of the 1980s, can continue to expand into the 1990s and

The plan, announced by Lord Young, the Trade and Industry Secretary, involves the introduction of two brand new types of mobile service and a substantial upgrading of the existing car phone networks. The idea is that, by injecting more competition into the industry, more people will be able to make phone calls when they are away from their homes or offices and Britain will be kept in the forefront of mobile communications developments.

There will be four operators for the first new service called telepoint. A consortium led by British Telecom has been granted one of these licences. However, in order to defuse political objections that BT would monopolise this market, the Government has told the company to reduce its 60 per cent stake in the consortium to

below 50 per cent. This instruction itself caused confusion within BT's consortium, with one of its partners, STC. the UK electronics group, claiming that it had bought BT's share. BT said this claim was "rubbish" and that it had yet to decide whom to sell its share to. The other members of the BT consorthm are France Telecom and Nynex, the traditional phone operators in

GOVERNMENT France and New York respec-

Telepoint, a technology pio-neered in the UK, will allow people to make phone calls when they are within 150 metres of base stations, tens of thousands of which will be installed around the country. It will be much cheaper than the present car phone or cellu-lar systems, with telephone handset costing less than £200 and call charges not much higher than on the mainstream

higher than on the mainstream fixed networks. Its disadvan-tage, however, is that only out-going calls will be able to be made, at least initially.

The other successful tele-point applicants are: Ferranti; a consortium comprising Shaye Communications, Moto-rola of the US and Mercury Communications; and a consorthum of Philips, Barclays Bank and Shell. Most plan to start their service by the early summer, rolling out quickly across

the country. Lord Young caused a surrise by announcing plans for a second new type of mobile service, which he called "personal communications". The exact specifications of this have yet to be worked out, but it will certainly involve two-way communications and will be designed to compete with the present cellular net-

The Government plans to consult widely with the industry over the next three months to determine exactly how the new system will work. Lex, Page 18

# Thames TV may sue over Gibraltar film

By Raymond Snoddy

THAMES Television said yesterday it was considering legal action against some newspapers over their coverage of Death on the Rock affair - the documentary of the kill-ing last year of three IRA ter-rorists in Gibraltar.

This announcement was made as an independent report, largely vindicating the mme makers, was pub-

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Mr Richard Dunn, managing director of Thames, which is based in London, said: "I think that there is a case for legal action against some newspapers who went beyond the Thames would be taking legal advice on the whole

range of coverage on the docu-mentary and would then after an inquest.

decide whether or not to pro-

The report by Lord Windlesham and Mr Richard Rampton, a leading libel lawyer said: "The programme-makers were experienced, painstaking and

They did not bribe, bully or misrepresent those who took part. The programme was tren-chant and avoided triviality." In spite of various various criticisms, the report said: "We accept that those who made it were acting in good faith and without ulterior motives."
The documentary caused big political row after the IBA gave the go-ahead for transmis sion despite being asked by Sir Geoffrey Howe, the Foreign

# **Equiticorp** executive quits **Guinness Mahon board**

By David Lascelles, Banking Editor

Equiticorp's representative on the board of Guinness Mahon, resigned as a non-executive director of the merchant bank

His departure follows last week's decision by New Zea-land-based Equiticorp, which owned 61 per cent of Guinness Mahon, to call in the provisional liquidators. On Wednes-day, Mr Adams and two col-leagues resigned from GPG, Guinness Mahon's former sis-

Equiticorp's 28 bank creditors who have now assumed ownership of Equiticorp's interest in Guinness Mahon and GPG met yesterday to coordinate their position. They

are expected to announce today that they have appointed a leading City of London mer-chant bank to advise them on the disposal of the stakes.

The creditors are also expected to vote for the existing slate of directors of Guinness Mahon when they come up for re-election at the merchant bank's annual meeting today.

Although the meeting has only routine business on its agenda, Mr Geoffrey Bell, the chairman, is expected to reas-sure shareholders that the bank is in sound condition having, at the Bank of England's insistence, maintained its independence from Equiticorp.

# English earns £6bn as a world industry

By David Thomas, Education Correspondent

ENGLISH LANGUAGE is now 7,000 of its workers English ket value of £5bn a year, according to a study published yesterday.
The study, by the Economist

Intelligence Unit, claims to be the first attempt to assess in business terms the teaching of English as a foreign language.

Almost film a year is generated by the English as a foreign language industry in the UK alone. English language courses account for £630m of

that, with £170m generated by North America (£2hn a year) and Australasia and the Far East (also £2bn) are the other main centres, according to the

report A special survey conducted for the study found that many Continental and Japanese multinationals devote considerable resource to teaching their

employees English. One large petrochemcial group, for example, spends 1DW. 195 Europe; \$185 US; 198 12.6m a year teaching up to elsewhere.

With 70 per cent of the world's mail and 80 per cent of the information stored elec-tronically written in English, the study projects a buoyant future for the English language

Growth of at least 10 per cent a year is forecast for the industry in the UK.

However, the report gives a warning that competition will intensify. Other Western European countries will probably try to set up more English language schools to capture some of the business.

The study suggests that the fragmented UK industry will respond by collaborating on a joint marketing organisation and by rationalising the English as a foreign language examination system.

English: A World Commodity. Economist Intelligence Unit, 40 Duke Street, London WIA

# **BP** adds

barrels to oil reserves

By Steven Butler

550m

BRITISH Petroleum, the world's third largest oil com-pany has added about 550m barrels of oil, and oil equivalent, to its reserves from dis-coveries made since the begin-ning of the year.

The discoveries, which BP has yet to disclose in full offi-cially, are understood to have at least replaced last year's oil

BP's total reserves amount to about 5bn barrels of oil, concentrated in the North Slope of Alaska and the North

addition to BP's 1988 acquist-tion of Britoil, which brought with it an additional 1bn barrels of proven reserves.

BP officials are understood to be confident that this figure can be raised further by care-

ful reservoir management.

The overwhelming majority of the company's discoveries are in the North Sea and on the UK continental shelf. The largest addition to reserves has come from the Forth field in the UK sector of the North Sea. This was a 200m barrel discovery, 150m barrels of which belong to BP.

which belong to RP.
Discovery of an offshore
extension to the Wytch Farm
field, near Bournemouth of the
southern coast of England, has southern coast of Enganna, and increased proven reserves by 100m barrels to 350m barrels, half of which belongs to BP.

Many oil industry analysts believe that the results of a drilling programme in prog-ress are likely further to boost

ress are likely further to boost this figure substantially.

Four gas discoveries in the southern gas basin of the North Sea have added a total of 400bn cubic feet of gas, or 70m barrels of oil equivalent. BP has, in addition, made three oil discoveries in the central area of the North Sea adding 100m barrels to its own reserves.

reserves.

Appraisal drilling at the Ula field in the Norwegian sector of the North Sea has increased reserves from 240m barrels at the end of 1987 to 450m barrels today, RP is understood to believe. There are also believed to be good prospects for further increases.

RP has a 57 per cent interest in the field, and earlier in 1988 put the reserve figure at 330m barrels.

Further significant liquid discoveries were made in Papua New Guinea at fields operated by Chevron, the US oil company. BP has a 25 per cent interest in the lagifu and Hedinia fields, which have added to BP's reserves 60m barrels of crude oil and liquid

BP's commitment to continue efforts to replace its reserves by exploration was underscored by its acquisition of Britoil, which had a large, highly prospective portfolio of exploration licences in the North Sea.

As part of the acquisition,
BP gave a firm pledge that it
would continue with an active

exploration programme.

• Max Wilkinson adds: The Government yesterday approved plans for the 2168m development of the Emerald oilfield, about 70 miles west of the Shetland Islands. The development, by Sovereign Oil and Gas, is likely to provide work for 2,000 people during the next 18 months. About 1,400 jobs will be created in Scotland and some in Middles-

# Morning crush threatens to derail London

Lynton McLain examines the numbers behind the Central London Rail Study

TINCH EV ROA

**Extent of overcrowding** 

on London's rail system

CUEENS

BY 1999 more than 1.2m passengers could be arriving at London underground and rail terminals each morning unless something is done to ease the pressure on trains and stations, says the Central London

That would be the same as the entire population of South Yorkshire or most of Birmingham and Coventry pouring into the capital in the three bours of the morning peak, between 7am and 10am.

Some 500,000 people, half of the morning peak passengers, arrive in London in the bour before 9am. Both London

Underground and British Rail services are carrying record numbers of passengers into the capital's centre.
The pattern is expected to continue so that as many as 600,000 people could be arriving in central London in one hour

by the end of the century. At present, underground trains distribute some 200,000 British Rail passengers within central London. This is a rise of 50 per cent on 1983 numbers. Rapid growth in the number of passengers arriving in the capital in the morning resumed in 1982 after a steady fall in numbers from 1971 to 1976. Passenger volumes rose again, but tailed off three years later, with intermittent growth and decline to a low point in

Some of the rapid growth thereafter was at the expense of bus, coach, car and cycle traffic, all of which have fallen in the preceding years. But there was a general rise in commuting to central London of some 100,000 people a day. In 1987 about a 1m a day passengers arrived in central London by rail, after almost unremitting growth since 1982. More than half came on the underground system and most of the remainder used British The report says: "The result has been to place the existing

3 miles

rail system, particularly the Underground, under increasing On BR's Network Southeast trains, the tendency for growth to be focused on longer dis-

tance commnting from beyond the Greater London boundary

also led to acute problems on certain services.

The challenge facing the underground, according to the report, is how to cope with the 35 per cent growth in peak traffic over the period since 1980. Off-peak demand grew rapidly, by 80 per cent since 1980, but this did not mitigate the prob-

lem of rapidly rising peak More passengers had to stand on crowded Tube trains

Underground **Docklands** Light Railway in 1987 than London Underground would have preferred. Sections of the London Undersections of the London under-ground were above the Under-ground's "planning standard" in 1987. The standard laid down that "on average no more than one person should have to stand for each seated

British Rail

FINSBURY

On BR, sections of the network did not meet the standards laid down by BR for The standards are that no passenger should have to stand that no more than 35 passengers should have to stand for every 100 seated passengers on sliding door trains and that no more than 10 should have to stand for every 100 seated on slam door trains.

Overcrowded now in

Overcrowded now in

the morning peak and

after major upgrading

Overcrowded in 2001

after major upgrading

morning peak

programmo

programmo

The report said: "As well as overcrowding on trains, congestion at stations is now a

# Directors fail to quantify reserves against claims

# **Auditors heavily qualify first** annual accounts of Lioncover

By Nick Bunker

ERNST & WHINNEY, the accountancy firm, has heavily qualified the first annual accounts of Lioncover, the special insurance company set up by Lloyd's, the London insur-ance market, to take over the liabilities of the notorious PCW syndicates.

Lioncover is owned by the

Society of Lloyd's, meaning the market's 31,000 underwriting members. Documents at Com-panies House show that inspite of prolonged investigations Lioncover's directors were still unable last year to quantify the reserves they will need against insurance claims which the company may have to pay between now and 2007. The claims arise from insurance, much of it for US liability risks, underwritten before 1982 by PCW's former managers, including Mr Peter Cameron-Webb. The Serious Fraud Office has obtained a warrant for the arrest of Mr Cameron-Webb and his accomplice Mr Peter Dixon. Both men are in

In Lioncover's 1987 accounts, Ernst & Whinney, the auditor, says it was "unable to express an opinion" about whether they complied with the Companies Act, because of "uncertainties...which may materially affect the company's position. The accounts, for the year to December 31 1987, are dated July 26 1988 and became avail-able at Companies House last

They cast considerable doubt on the reliability of the figure of £680m which Lloyd's gave in April 1987 as an estimate of the expected claims. It was used by Lloyd's in a settlement with 1,500 members of the PCW syndicates, and with various companies in the Lloyd's market. The settlement's parties, including the 1,500 members

and Lloyd's, contributed to a fund of £134m. Together with the syndicates' assets, this was expected to produce investment income sufficient to meet the claims over 20 years. The assets and liabilities were transferred to Lioncover in July 1987, but with Lloyd's

standing behind it in case its reserves proved deficient. Ernst & Whinney says it could not satisfy itself "as to the adequacy or otherwise" of Lioncover's claims reserves of £284.2m. Lioncover's directors said that they were "unable to give an opinion" about this figure, or about £22m represent ing money due from insurance intermediaries which placed reinsurance contracts with the

The documents attribute the problems to uncertainties about the amounts owed to Lioncover by other insurers, and about what Ernst & Whin-ney calls "the reliability of recording of certain underwriting transactions prior to July

In the accounts, Lioncover says it made "every effort...to

produce reliable financial information, but was hampered by late receipt of records from Additional Underwriting Agencies Number Three, hich looked after the syndi cates in 1986-87. In addition, it says AUA3

"expressed significant reserva-tions regarding the reliability of the accounting records which related to the assets and News that Lioncover's financial position contains so many uncertainties will not surprise

experts on US liability insur-

ance, where reserves are notoriously difficult to assess. In August 1986, a Lloyd's report identified US product liability, medical malpractice, and professional indemnity insurance for large accountancy firms as major areas of exposure for the syndicates. They are also known to have been beavily exposed to US asbestos-related injury claims. In addition, investigators of the PCW affair in 1982 are

known to have discovered that

key accounting records were

either missing or may have been falsified. At a Lloyd's annual general meeting last June Mr Murray Lawrence, chairman of Lloyd's, said that it was premature to predict the outcome of Lioncover's investigations of its liabilities, but he predicted that experience in the rest of Lloyd's suggested that further money might have to be found.

# **Accountants clash** with SE over brands

By Richard Waters in London

THE controversy over the way companies account for intangible assets such as brands was stoked into life yesterday as the accountancy profession and the Stock Exchange sent ont sharply conflicting mes-

sages on the subject. At the same time Lonrho announced it was to include brands worth £117m in its balance sheet. This makes it only the second major UK company to attempt to revalue existing intangibles during the current bout of interest in the subject, though many others are known to have expressed an interest. Ranks Hovis McDougall, the food and drinks group, was the first to move when it valued a

last November. The Accounting Standards Committee yesterday asked companies to desist from making brand revaluations like this until further work has been done into how values are calculated.

number of its brands at £670m

Mr Michael Renshall, ASC chairman, said: "There is still too much uncertainty about how it is done and about the meaning of the numbers that it produces." The ASC called on compa-

nies to include information about intangible assets in notes to their accounts rather than in their balance sheets until further notice, though it has no power to enforce this. In contrast, the Stock Exchange yesterday issued a statement likely to encourage companies to put intangible

assets into their balance sheets. This was that compa-nies could add in intangible assets when calculating their asset size for the purpose of Exchange rules concerning acquistions and disposals.

Until now the inclusion of intangibles has been allowed only at the discretion of the Exchange's quotations commit-Under the Exchange's list-

ings agreement (or "yellow book"), companies intending to acquire or dispose of bust-nesses need the approval of their shareholders if the transaction exceeds certain size tests. One of these is when the assets exceed 25 per cent of the company's own.

This means that, by adding m intangible assets, some com-panies may be able to boost their own balance sheets and so escape the need for share-holders' approval on some

transactions.

This is likely to appeal to companies which have potential predators sitting on their share registers with large blocks of shares. RHM, for instance, has said that this is one of the reasons for its own brand revaluation.

Lonbro also has a large and unwelcome shareholder, but did not list this as a reason for its move yesterday.
Other companies in the same position, at least one of which is known to have investigated revaluing intangibles, include

Pearson, Cadbury Schweppes and Scottish & Newcastle.

# Soliciting London barristers from the Bar

Raymond Hughes examines the likely effects of the proposed legal profession reforms

EARS at the Bar, the barristers' professonal association, about how it will be affected by the revolutionary changes proposed by Lord Mackay, the Lord Chancellor, for the legal profession seem to have real substance.

Lord Mackay's proposals amount in practical terms to amount in practical terms to the fusion of the two branches of the profession, with the door being opened to solicitors to conduct cases in the higher

The proposals have been stigmatised by Mr Desmond Fennell, the chairman of the Bar, as "a charter for the big battalions" – the leading Lon-don law firms. He envisaged the Bar withering away as its stars were headhunted by the solicitors.

A survey of partners in some of these firms suggested that, in the long term at least, the number of independent barristers will shrink. Solicitors' firms will begin to develop in-house advocacy epartments, and entrants into the law who hitherto might

have opted for the Bar may decide they have better career prospects as solicitors. Mr John Calvert, of Simmons & Simmons, saw the employment of barristers as a fairly strong possibility. He said that for some time there had been rumours of barristers having been approached by, and approaching, City of LonLORD Mackay, Lord Chancellor, defended his pro-posals for reform of the legal profession, by saying they derived "from the general policies of the Government" and were to give people bet-ter access to the legal sys-

His proposals aroused opposition from the Bar and from Lord Hailsham, the former Lord Chancellor. He wrote in The Times newspaper yesterday that Lord Mackay was removing "the incentives to honourable conduct" by upsetting the balance between solicitors

He anticipated more appli-

cants from graduates to com-plete solicitors' articles, the

two years' indentured training required for full qualification as a solicitor. The Bar, he said, "can't look to be a very bright

Mr Andrew Walker, of Lovell

White Durrant, saw the spe-

cialist Bar diminishing, if not

disappearing entirely. He

thought it more likely that

junior barristers rather than

senior members of the Bar.

called Queen's Council, would

be attracted by the idea of join-

ing a City firm.

Mr Richard Youard, of Slaughter & May, saw little in

the proposals for the big City

or assured future now.

don firms.

Lord Mackay said: "The point is I think that we emphasise the need for the maintenance of standards and suggest ways in which the standards will be maintained. There is nothing...to suggest that the two branches of the profession should not continue to exist and there will continue to be a balance between

Lord Hailsham criticised Lord Mackay's proposals, including a powerful super-visory body, as a "burean-

large lay contingent."
On contingency fees, Lord
Mackay rejected Lord Hallsham's view that they were
"inherently immoral."

players. "We have been in a free market for a long time. We are not dependent on the Bar to tell us what the law is."

As for headhunting, the question of whether to use in-house or outside advocates was one of business efficiency, Mr Bill Park of Linklaters & Paines, thought Mr Fennell had overreacted to the risk of top barristers being headhunted. Apart from any other considerations, barristers' tra-

make it difficult for them to fit in, Mr Park said. "Somebody who has been trained to think only of himself or herself would find life very far from congenial in a major

ditional independence would

understanding. He said on BBC radio: The quango is none less than the Lord Chancellor's advisory committee which advised him over a long period. All we are suggesting is that its remit should be enlarged to include conduct and its con-stitution should involve a

cracy under a quango."

But Lord Mackay
suggested that his predecessor had fallen foul of a mis-

There would, however, have to be a move towards in-house advocacy departments because that was what foreign clients and lawyers demanded. But it would be at least 10 years before that really took shape, and even then there would still be room for the Bar.

"I think we have to ensure that a pool of independent barristers remains - although it may be reduced in number and, perhaps, be more selective in quality."

Mr George Staple, of Clifford Chance, the largest City firm, said its purpose was to provide specialist legal services for cli-ents in the commercial field

and up to now the Bar had served it well.
But if the Bar was not going to survive in its present form, in the longer term solicitors would have to provide advo-

cates in-house. Baker & Mackenzie, part of an international law firm, is in the lower half of the leading 100 London firms in terms of

specialising in litigation, thought there was a very real danger that the top firms would finally cream off the leading barristers, if not by bringing them in-house, then on a fee sharing basis or some

form of exclusive arrangement.
"The best of the Bar is not going to be available to our clients," be said.
From the other branch of the legal profession came the view that Lord Mackay's proposals were ill-thought out.

Mr Ronald Burley, senior clerk to one of the London's

big sets of commercial cham-bers, as firms of barristers are known, said that the general feeling there was that the proposals were not in the public

interest. "It puts pressure on barris-ters if the mega-firms seek to lure them to their offices with offers of great security and snhstantial payments. Their services will be denied to the medium firms and to the general community."

# European joint plan for laser

THE Science and Engineering Research Council's corporate plan proposes a laser 100 times as powerful as anything yet available to European scientists, writes David Fishlock. The laser would be build as a European collaboration and put European laser scientists into the same league as US, Soviet and Japanese col-

eagues. It would serve European universities much as CERN, the European Laboratory for Particle Physics, near Geneva, which provides powerful nuclear beams for physics

experiments.
The laser would offer 100-ki-The laser would offer 100-kilojoule bolts of energy.
Research would be pure civil
science to gain a basic understanding of high-density plasmas generated by bolts of laser
energy, said Professor William
Mitchell, council chairman,
introducing the plan.
He said the plan.

He said the plan would proceed only as a collaboration. The council was talking with France, West Germany, Italy

The plan says Britain's cen-tral laser facility, near Oxford, was cost-effective and had world "firsts" to its credit, but was no longer internationally competitive. The conneil intends to expand its income by researching under contract, for industry for example.

# UK NEWS

# Company sheds staff in reshaping

THE JOINT Credit Card Company, which issues the Access credit cards, has shed 100 of its 250 sales staff as part of a streamlining operation to prepare for a new role as a multiple card processing

organisation.
After last autumn's shake-up in the credit card Industry, In the creat card lindistry, JCCC is developing its processing capacity to handle cards belonging to the rival Visa network and operations in Continental Europe. It has also adjusted its systems to handle transactions in currencies of the starting and the other than sterling and the Irish pound for the first time.

The JCCC's traditional role has been in doubt since last autumn when its three major shareholders, National Westminster, Lloyds, and Midland banks, decided to compete against each other in offering credit card facilities to retail outlets. This had previously been carried out for them by JCCC, which is based at Southend-on-Sea in sonth-east England

All three banks have now igined Visa International the rival credit card network, so as to be able to offer retailers both Visa and Access facilities. Mr Tony Lee, chief executive

how they should take advantage of new opportunities for them in the credit card market. He expected the winding down of the Access sales operation to continue.

Access has also tried to improve its image by redesign-ing the card to give it a more international appearance. This has been accompanied by an advertising campaign stressing the card's international case of use. There are now about 13m Access card holders in the UK.

However, the banks owning the JCCC have given approval for an investment programme to expand its processing capacity. Mr Lee said that creating the extra capacity had been almost as great a task as setting up the system itself.

He said: "The company is now preparing to evolve towards a role which is mainly that of a commercial thirdparty processor."
Spokesmen for NatWest,
Lloyds and Midland confirmed
yesterday that none of the

banks at present contemplated selling its stake in the JCCC. A Lloyds spokesman said:

"Access cards remain an extremely important product Mr Tony Lee, chief executive for us. However, we do expect that the JCCC will gradually the Access sales staff had been told they were free to chose ing role."

# Polls favour more liberal Sunday trading laws

By Maggle Urry

TWO OPINION polls published today show strong support for changes to the laws on Sunday

trading in England and Wales.
Sunday shop opening is
already permitted in Scotland.
A National Consumer Council poll, carried out by Mori, which interviewed 1,780 people, said that 63 per cent of respon-dents were in favour of change and 32 per cent against.

The other, run by the Con-sumers Association and based on a sample of 1,200 members, said three out of four consumers "consider they should be allowed to go shopping when they like."

Mr Maurice Healy, director of the NCC, said: This gives the Government a clear man-date to liberalise the law." The polls come after a High Court decision which in effect prevents local authorities from getting injunctions to stop

shops opening on Sundays.

Three councils applied for injunctions but were told that they could not be granted until cases at present before the European Court, are concluded later this year. That Court is examining whether the Shops Act, which councils have a duty to enforce, breaks tha Treaty of Rome.

# Joint Credit Card Learning to farm out grassroots aid

Peter Montagnon examines government and charity collaboration

of Government that is not a candidate for privatisation, it is surely the Overseas Development Administration (ODA), which controls Britain's £1.3bn development assistance budget assistance budget.

The business of administering official aid flows is so bound up with affairs of state that it is hard to imagine any way in which it could be hived off to the private sector. Yet, with its new emphasis on col-laboration with voluntary bodies such as Oxfam and Christian Aid. it seems to be toying with what amounts to the next best thing, at least so far as longer-term development projects are concerned.

This new focus, which is far removed from ODA's most public role in joining with the charities to provide emergency disaster relief, was signalled by Mr Christopher Patten, Aid Minister, in a speech to an ActionAid symposium late last year. He said ODA was making "a pretty fundamental review of the working relationship between government and char-

This is expected to be translated within a few weeks into a substantial increase in the £11.2m bndget for jointly

funded long term projects in the developing world. Even after the increase, which is likely to raise spend-ing to about £17m or £18m, the amount spent by ODA on this type of operation will still be tiny compared with its total budget. Aid experts generally agree, though, that the philosophy behind the move reveals agree, about ODA thinking on more about ODA thinking on development priorities than the money alone suggests.

Not only does the idea of working with voluntary organisations dovetail neatly with the Government's general emphasis on individual responsibility in dealing with social issues, it also responds to a worldwide preoccupation. This is the need for official development spending to reach the poorest sectors of societies which are in the greatest need

The ODA has worked with charities in the developing world. At one level that is seen as a cost-effective way of dis-bursing money for small individual projects involving particularly disadvantaged



Kano, Nigeria: ODA puts premium on community based projects

communities in far-flung places - projects which would otherwise be uneconomic for the department to handle

Under the present system, Under the present system, the voluntary organisation selects possible projects for joint-funding. The ODA is adamant that it is not trying to sub-contract its fieldwork to outside agencies, but it does have certain criteria for the projects on which it chooses to spend money.

One is that there should be strong local community involvement in the recipient country. Here voluntary agencies, know in development jargon by the ponderous term of non-governmental organisations (NGOs), can play be useful for their close contacts with similar organisations in the developing world.

Another is that the project should have some lasting developmental value and not just involve social welfare hand-outs. Projects should be self-sustaining in the longer term, which might mean the imposing charges for the services provided.

The ODA hopes thus to promote what can best be described as grassroots capital-ism - the creation of small businesses from which eventually wealth, economic growth and employment can be created. Officials at the ODA say this transcends UK party poll-

tics and is perfectly in tune with a broader emerging inter-national theme in development politics: that of nurturing the Third World's own private sector as an agent for develop-

ment.
It might be supposed that the voluntary agencies, which shy away from being seen as arms of government, would view suspiciously the prospect of such collaboration. Some do have reservations, but their criticisms are muted and most of the hodies welcome the

criticisms are muted and most of the bodies welcome the emphasis placed on helping the most poor, which they see as a refreshing antidote to the idea of just doling out ald money in support of British exports.

"The ODA is coming closer to our own philosophy," says Oxfam. Mr. John Cunnington, head of programmes at War on Want, adds: "It is an acknowledgement that the ODA recognises tha Importance of NGOs." However, he admits to being worried that government involvement in voluntary proinvolvement in voluntary projects might favour some countries over others, such as Vietnam, which receives no UK official aid although the needs of its poor are considerable.

Some development specialists go further. They are concerned that voluntary agencies might be used to alleviate the adverse effects on the poor from International Monetary Fund adjustment programme of which they disapprove. But the greatest practical worry is

the requirement imposed by the ODA on voluntary agencies as a condition for collaboration that they should do more to evaluate and appraise their

projects.
Some of the largest International agencies such as Care and the Aga Khan Foundation have very well established evaluation systems. Indeed, the ODA has been so impressed with an Aga Khan Foundation rural support programme in rural support programme in northern Pakistan, into which it has already put £300,000 on a joint funding basis, that it is incorporating it into its main-stream bilateral aid pro-gramme for that country.

Yet ODA has long been wor ried about the quality of evalu-ation at some other agencies. This is a skill which many are too small to develop and of which their donors have little understanding.

"In principle we would certainly support more rigorous evaluation on the part of NGOs," says Mr Roland Hodson, chief executive of Action-Aid. "The Government may play a useful role as a catalyst in helping NGOs do that."

If he is right, ODA may end up not only devising a means of making official aid money reach the poorest sectors of the community in the developing world but also of creating a remarkable exception to the normal convention that more government involvement actu-

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# **Advantages** of remaining private

By Paul Cheeseright

ichael Hirchall was 35 and rather bored. "I didn't want to sell houses for the rest of my life." That led to the birth of Sibec Developments 16 years ago.

"I didn't have a bean," recalls the one-time chartered surveyor. He set ma a one-room. recalls the one-time chartered surveyor. He set up a one-room office above a travel agent in Wigan. "My biggest decision was whether to have a telex or not. My wife would answer the phone — we had the luxury of two lines." And there was a lady of 80-plus to do the books. The property developer with a £1bm programme is now more likely to be concerned with his executive jet and, as he put it, executive jet and, as he put it, "trying to mature a business, trying to mature a business, whether it's private or public."
In fact Sibec is private and likely to remain so. Had there not been a stock market crash in October 1987 and had the sentiment of the continuent of the continuent of the sentiment of the continuent of sentiment of the market not swung against the developer trader companies, so fashion-able in 1986-87, Sibec would have been quoted long since. But for the moment there is

If there is a disadvantage in remaining private it is that "we don't have quoted paper where we can assess on a day-to-day besis what the company is worth, but, really, that doesn't matter, Birchall says. The advantage is that Sibec has retained flexibility. "We don't have to respond to the fashion of the day." It does not have to do as comparable fashion of the day." It does not have to do as comparable quoted development companies have done: be seen in the marketplace buying investment properties to boost net asset value per share when the object of the business is to generate cashflow by developing a property and selling it on.

The situation might be different if Sibec did not have what Mr Birchall believes is a more than adequate capital

more than adequate capital base to underpin the existing development programme, access to short-term borrow-ings and a sufficient cashflow to meet immediate commitments. By the middle of the year Sibec could have up to 230m on deposit.



listing. Mr Birchall holds justs over 50 per cent of Sibec. Executives hold around 10 per cent and a syndicate of institutions led by Midland Montagu Ventures and TR Property Invest-ment Trust has 40 per cent. This pattern of equity owner-ship lacks only the leavening of small shareholders that a quotation would bring.

Sibec's style is orthodox enough. With the development of, say, a shopping centre -the Sibec speciality - a major store is sought for a pre-letting. With this in place, a construction loan is arranged through the banks. With the building taking place, an institution is sought to replace tha

short-term funding with long-term finance. The shopping centre at Aldershot is a case in point, it was a venture in two phases — the refurbishment of an existing complex and a newly built

section. From the start there was income from the section to be refurbished. Sibec undertook the refurbishment, helped by bank finance, and then arranged with the Universities Superannuation Scheme to buy the refurbished part and to forward fund the new part. Thus Sibec took a profit on the first section and secured its return

An overseas strand of Sibec's activities will become increasingly important. If it works over a sustained period, it will make Mr Birchall, described by one broker as working "with West End style off a Manco-nian base," an international tycoon in the sense that Syd-ney Mason of Hammerson

ney Mason of Hammerson became one.

This year, Sibec will earn 35 per cent of its profits overseas. By far the greater part of 1988 pretax earnings, expected to come out at just under £12m against £5.15m in 1987, have sprung from domestic activities. None the less expansion has been rapid. At the end of 1988 shareholders' funds were around £40m, compared with around £40m, compared with £25.8m at the end of 1987.

# The eager lenders

nitualism among the banks for lending to companies like Sibec has shown no signs of abating, indeed, the pace Ano signs of abating, indeed, the pace has accelerated since, in the summer of 1987, Mr Robin Leigh-Pemberton, Governor of the Bank of England, politely urged cautic R is too soon to establish whether higher interest rates are having any effect. In the the three-months to November, bank lending to property companies rose by \$2.2bn to a total of \$21.2bn.

Charlesed supressers have been welching

Chartered surveyors have been weighing

Chartered surveyors have been weighing this up. Debenham Tewson & Chinnocks noted that in that lest quarter there was a 6 per cent increase in commercial borrowin but property debt graw by 12 per cent. Savilia, with an eye backwards to the property crash of 1973-74, recalled that, the bank lending to the property sector stood at 12 per cent of commercial debt, while now it stands at around 7 per cent.

There is no ston that the page of lending

There is no sign that the pace of lending will stacken immediately. The property industry has gained a development momentum which will certainly be sustain over the next few months. This could be tempered by a reluctance among banks to lend on more marginal projects, given that higher interest rates could make the financ of some smaller companies look fragile. What has made life easier for Sibec and

What has made life easier for Sibec and offers has been the growing competition among the benks and the drive into the marketplace by foreign banks.

Four years ago, oversess banks accounts for just under a quarter of the tending to property companies. Now that proportion has reached 38 per cent. In recent quarters the biggest push in the market appears to have been made by European banks.

Sibec has noticed that since it started to become leveled in Raighting and Spain, the become involved in Beiglum and Spain, its activities have attracted the attention of

European banks. Once British companies

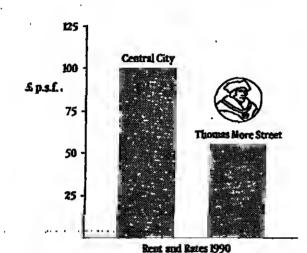
take on foreign commitments, their sources of financing inevitably widen and become more elaborate. ore elaborate. For Sibec this elaboration will probably

Bank lending to property companies

reach a pinnacle with the financing of a £2.5bn plan to develop, in a consortium, a retail, leisure and cultural complex outside

This is likely to be led by an Austrian bank and will probably make Sibec's domestic financing arrangements look like a ride through play school.

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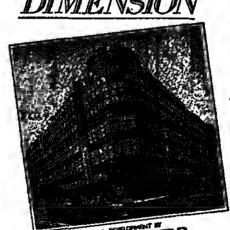
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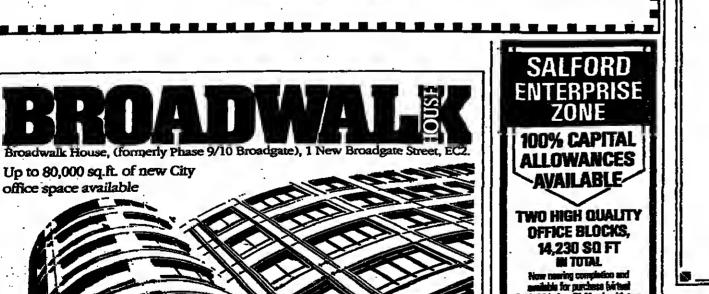
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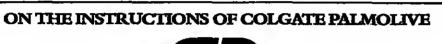
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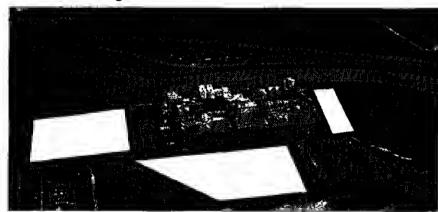
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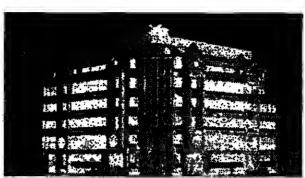
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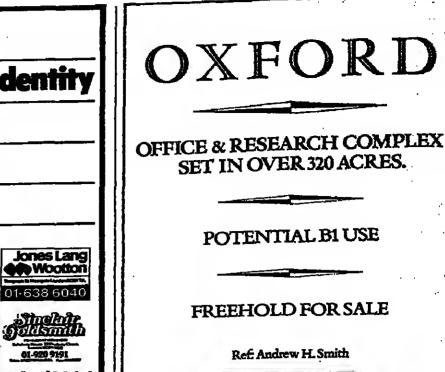
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# The gospel according to Apple

L view, a silicon chip affixed to his forehead and wearing a cassock and Warren Beatty smile, that this was not going to be any ordinary computer

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What he or the chip were doing at Macworld in San Francisco last week never became clear. But the presence of the cassock was more understandable. Macworld existed to celebrate the apo-theosis of the personal computer – in this case, the Apple Macintosh.

The company itself was una-pologetic about the celebration. Jean-Louis Gassée, of Apple Computer, Californiabased manufacturer of the Macintosh, explained before an audience of several thousand that they were there to celebrate the fifth anniversary of the advent of a magical computer - one that had transformed lives through its power and user-friendliness.

In an atmosphere similar to a Billy Graham revivalist assembly, users explained their conversion. One announced that the Mac was the first non-passive machine, a computer that allowed him to work with the other half of his brain, to extend the reach of his body. It was, he said, like coming home. The congre-gation applauded.

The advantages of the Mac were undoubted, said another. The machine allowed you to do what you used to do, but bet-ter and faster; it let you do what you wanted to do and couldn't; and finally, it offered applications you couldn't pre-

One convertee explained that what she liked about the Mac was that not everybody initially liked it. You had to convince them.

At this point in the show, the Apple public relations man leant over to me and asked if I owned a Mac. After I had con-fessed single ownership of an Amstrad PCW, he said he would have a word with his counterparts in the UK who would loan me one. Then, he said, I would understand what this way all the beaut I felt without this was all about. I felt rather as I bad when a kindly Indoneas I had when a kindly indon-sian Moslem lent me a copy of the Koran and, on later hear-ing that I had read it, announced that I was now a Moslem because the word of God had been revealed to me. The presentation continued

as Apple made the point that the Macgod was an ecumeni-cal one. In a spoof advertisement, the company showed the editor of Hindulam Today, based in Honolulu, explaining the benefits of desk-top pubishing. The paper's new slo-gan was, "Drive Hinduism ahead through accepting Apple Macintosh — a tool to enlighten the world." One San Francisco newspaper reporting the event thought the advertis-ment was real – the mistake was, however, understandable because Apple enthusiasts really do seem to be different.

Certainly, the range and variety of people at the show were impressive. Teenagers talking in incomprehensible abbreviations and acronyms walked past directors in cow-boy hats and berets, who would be worth more than \$100m by the end of the year. Long-haired programmers, dressed in dungarees and translated from the early 1970s, mixed with company executives clutching skin-col-oured balloons. And although Apple and its universe have recently been accused of becoming respectable, a number of the check-suit wearing smen still had pig-tails The companies exhibiting at

Macworld were no less exotic. Even some of their names were bizarre: from Strawberry Tree Computers to Silicon their west coast origins. The salesmen and women

extolling the virtues of their products to applauding audi-ences were also unusual. It never did become clear what the man in talls and red tie playing a grand piano and singing "This is the time" was trying to sell.

- It was clear, however, that some of the sales people were successful. The escalators leading out of the main hall were loaded with newly purchased Macs and the 450 exhibiting companies and 58,000 visitors appeared to leave mutually satisfied with the event and with the Macintosh product.

William, the shoe-shine man by the exit, was also happy with the Macintosh. He reck-oned that by the end of the day he would have covered between 30 and 40 pairs of shoes - one of the highest totals of the year. He too confessed himself an Apple fan.

Paul Abrahams

# Swedes hear a powerful case for windmills at sea

THE Swedish Government is considering a report which rec-ommends the building of up to 300 windmills at sea. Carried out by the Swedish

consultancy group VBB, the feasibility study concludes that a wind farm, costing just under film, could produce by the end of the century about the same amount of electricity per year as a medium-sized nuclear power station. Built off the country's southern coastline, the report says that the power plant would have no adverse effects on the environment.

Wind-farms are expected to gain a price edge in electricity generation over coal and nuclear power stations in the coming decade. This is because the cost of wind-generated elec-tricity is continuing to decline, through tachnical advances and economies of scale. The project, one of the most

advanced in the world, involves anchoring the wind-mills to the seabed. Production costs are estimated to be comparable with those of power plant using other energy

The feasibility study was commissioned by the local authority of Blekinge County, on the Baltic coast near the proposed marine construction site. It concludes that both wind and seabed conditions at the site, which is about 20km offshore, are suitable for power

Because the average wind speed is substantially higher and more even at sea than on the land, the wind-powered generators could function nearly a third more efficiently than comparable land-based

units, says the report.

The windmills would be far enough from the shore to keep noise and television interference to a minimum and they would hardly be visible from the mainland.

Among the advantages of the project listed in the report are the social and economic accept-ability of the scheme. It would

provide np to 3,000 man/years of local employment. Sweden is a world leader in the search for safe and environmentally acceptable energy sources. The quest is fuelled by the national energy pro-

gramme which calls for the

complete phasing out of nuclear power by the year 2010. This necessitates a major building programme, costing more than £7bn, which is expected to result in substan-tial electricity price increases. But in the aftermath of the Chernobyl disaster in the Soviet Union, opinion polls conclude that many Swedes

consider the price acceptable. Sweden is already involved in marine construction in order to bury in the seabed the nuclear wastes generated by its existing reactors. The Government recently introduced provisions for dealing with nuclear accidents and published legislation to outlaw the

building of new reactors.

# Ink spots hit the production trail

Paul Abrahams reports on the spread of the bar-code to factories

playing an increasingly important role in the development of modern manufacturing. The use of these machine-readable codes belps companies to improve quality and inventory control and sharpens their ability to trace the origin of a faulty product.

However, until recently, manufacturers found it difficult to make the

turers found it difficult to make the process of applying bar-codes to goods integral to their highly automated production lines. There was little point in using bar-codes if their application — which was often by hand — caused production bottlenecks.

The makers of continuous ink-jet systems, which include Domino and Videojet, of the UK, and Imaje, of Valence in France, are trying to interest industrial companies in their technology as a means of overcoming this problem. They believe that continuous

nology as a means of overcoming this problem. They believe that continuous ink-jet printing operates quickly enough to remove the risk of bottlenecks. Alan Barrell, chairman of Domino Printing Sciences, based at Cambridge, says that some of the company's machines can print as many as 35,000 bar-codes an hour.

The process is rapid because there The process is rapid because there is no direct contact between the printer and the surface of the product. Instead, the information is sprayed on

in a jet of ink droplets. In the ink jet printer, the ink is pumped from a reservoir by a small rod which is made to vibrate by a modulated ultrasonic signal. The rod vibrates 64,000 times a second and forces the ink through a nozzle mea-

suring between 65 and 75 microns - about the same width as a human hair. Each second, 64,000 droplets are formed. As the particles of ink fall, they are measured to make sure that that they are arriving at the right frequency. Each droplet in the stream passes through the nozzle faster than

a bullet from a .22 rifle.

A selected number of particles are then given an electric charge by an electrode. As they fall further, they pass between two electrostatically charged plates which deflect the charged particles. The pattern of the depoles on the finel surface in determined. droplets on the final surface is determined by a program that runs on an Rpson portable computer. This informs the electrode how much it should vary the charge in each droplet and an each droplet and so dictates the degree of

The program takes into account both the aerodynamics of each indi-vidual particle's flight and the effect of each charged particle on the others

- the charged particles repel each
other and the program has to compensate for this. The uncharged particles are not affected by the electrostati-cally charged plates and fall straight down into a gutter to be pumped back to the reservoir.

Alan Berrell, of Domino, explains

that although the technology of ink-jet printing has been available for a number of years, the sector where the technology has penetrated furthest is the food processing industry.

One of the main reasons for this is legislation enacted by the European Commission, in particular the regulations controlling sell-by and best-be-fore dates. This means that each packet of perishable food has to be coded and ink-jet printing has been an says Barrell, because the information

could be printed so quickly.

The other main stimulus to ink-jet printing has come from the pharmacenticals industry, which has adopted

ceuticals industry, which has adopted it in an effort to improve the traceability of faulty products.

"Previously, if a product was found to be faulty, products had to recalled on a national basis," explains Barrell.

"The publicity on radio and television could have dramatic and unfortunate problems of the improved the improve results on the image of the item and subsequent sales. Now, with individ-ual coding of packets, faulty batches produced on a particular line can be traced and withdrawn quickly."

Other sectors are now using ink-jet printers to help trace stock. Lucas Heavy Duty Brake Systems in Ponty-pool, a division of Lucas Industries, has installed two ink-jet printers on a production line manufacturing hrake components. The printers were supplied by Videojet Systems Interna-tional, a division of GEC.

Edward Male, a process engineer at the Pontypool factory, explains that each individual item manufactured on the line is given a unique code with yellow pigmented ink which will resist the harsh conditions of heat and salt-spray under the wheel arch.
"We haven't had a product fail, but if one does we want to be able to assure our customers that we can find out where it came from and prevent

others getting out," says Male. "The cost of the printers - about £25,000 is a small investment compared with the possibility of having to recall a whole week's production, about 90,000 items. If there is an error we would now have to withdraw less than The ink-jet companies are trying to

expand the range of applications for their printers. In particular, they stress the role that machine readable code can play in quality control and in reducing inventories.

Digital Research is using the tech-nology at its Scottish computer board factory. It aids quality control hy showing which production stages have been completed and tested. Mibelle, the toiletries and cosmetics arm of Migros, the Swiss retail co-op-

erative, has installed 47 ink-jet systems on its production lines at ichs, near Zurich. Max Basler, Mibelle's technical manager, stresses the importance of inventory control in a factory which handles 40m tonnes of raw material a year and manufactures 190 varieties of product. He reckons that this ink-jet installation is the largest in Europe.

"What we needed was a system which was fast and could print variable information in three different languages," says Basier. "Then we needed something that could be integrated with our computer system to keep track of the flow of goods and raw materials. Not only was ink-jet technology quicker than putting the label on by hand, but it also allowed us to reduce the number of personnel

Ink-jet printing **Gun body** Charge electrode Charge electrode Phasing drops Printed drops

on the line."

Ink-jet printers are also being used increasingly by the print media to print subscribers' eddresses on the publications. The machines can easily be added to existing print lines. Both Time and Newsweck, the US news magazines, use them, as does the Financial Times in the US.

Among the other organisations employing the technology to increase efficiency is The Inland Revenue, the UK tax authority. It has bought It Domino machines, which can print the addresses of taxpayers at a rate of

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The state of the s

# Taking stock of the moral, ethical and behavioural sciences



opened e conference on the application of the social sciences to the world of work. In her speech she paid fulsome tribute to the social scientists who had pioneered the introduction of iemocracy into the workplace. She also announced an enormous social science research programme aimed et finding weys of encouraging even

more democracy at work.

For those rubbing their eyes in disbelief, the prime minister in question was not Margaret Thatcher. It was Gro Harlem Brundtland, the prime minister of Norway. The conference she was addressing, in Oslo, was held in honour of the eminent behavioural scientist Rinar Thorsrud, who had died two

years previously.
That Mrs Thetcher is unlikely to talk about the social sciences in such affec-tionate terms is not without its ironies, says Frank Heller of the London-based Tevistock Institute of Human Relations.

Thorsrud and his Oslo Work Research Institute were strongly influenced by British ideas, Many of their theories on greater employee participa-tion were originally based on work done at the Tavistock, as Brundtland acknowledged in her speech. Scandinavian companies such as Volvo were quick to see the advantages of greater employee involvement. British companies, for the most

part, were not.
"One tends to get more credit abroad than at home," Heller says. The low regard in which the current British gov-



ernment holds the social sci-ences makes people like Heller feel even more beleaguered. Heller admits that the Tavistock is partly to hlame for its low profile in the UK. It does not have a public relations or press officer. As a non-hierar-chical organisation, it does not even have a director. Heller is happy to talk about his own work, but is anxious that he should not be seen to be speak-ing on behalf of his colleagues. The institute, which was set up in 1946, aims to combine research in the social and psychological sciences with consultancy and training. Among its recent projects are an exam-ination of the reasons for violent ettacks on staff at unem-ployment benefit offices, helping e company in Northern Ireland implement new guide-lines aimed at combating reli-gious discrimination, and pro-

change to the Federal Electricity Commission in Mexico. All the institute's funding comes from the companies, organisations, research foundations and government departments for which it does research, consulting or train-

viding edvice on organisational

ing work.
The institute shares its premises in Belsize Park, North London, with the Tavistock Clinic, a psychoanalysis centre which is part of the Netional Health Service. Although there is some personal contact between the clinic and the institute, there is no formal link between them. Only a small number of the institute's 36 members have a psychoanalytic background.



Heller, who is 68 - "one of the best things about the Tavistock is that you don't have to retire" - began his working life as an engineer in the motor industry. He followed that up with degrees in economics and

psychology.

He tenght management studies at the Polytechnic of Central London until 1961, when he was recruited by the International Labour Organisation to advise the Argentinian government on management

His initial appointment was for one year, but he ended up staying in South America for six, working in both Argentina and Chile. He then taught for two years at the University of California at Berkeley, before returning to the UK in 1969. He considered several university jobs, but they struck him as too restrictive. He settled for the Tavistock instead. "The beauty of the Tavistock is that if someone gives me money for e project today I can be working on it by the after-noon." He has the advantage, too, of being able to use an airy Hampstead flat as his office rather than being based in the

grimly functional Tavistock hullding.

Current projects include one on the National Health Service and another on attempts to encourage energy conservation in schools. Among Heller's previous projects was an eight year study, concluded in 1983, of attempts to set up a system of employee participation at British Leyland. Only in the past few years

have devices to encourage Kegan Paul, 1952.

employee participation, such as quality circles, taken root in Britain. And yet, Heller says, managers in the UK heve known about them for over 30

He reaches for a book on his shelf which contains a descrip-tion of the setting up of quality circles in a British hosiery company. The book was pub-lished in 1952.\* "What has Britain lost over these 30 years from not having picked up on these things?" he asks.

He concedes that British nanagers are more eware of the importance of employee participation today. He argues, however, that many companies attempt to introduce employee participation systems by buy-ing pre-prepared packages from management consultants. "People don't go to consul-tants to be told I don't know the answer to your problem. That will cost you £10,000.' But that would he better than spending £60,000 on a solution that doesn't work. I don't blame the consultants for that.

buy the wrong packages.

"The packages are sold with the aid of colourful brochures, but who in the company evalu-ates them? They wouldn't huy machines that way. They don't employ people internally who could advise them, or, if they do, they don't pay ettention to them. With one or two excep-tions, British companies don't use universities to advise them the way they do in the States."

\*Three Studies in Management by Jerome F. Scott and

R.P.Lynton, Routledge and

I blame the purchasers who

Corporate reorganisation

# A quest for devolution

British Rail believes that it is succeeding with its drive to replace a hierarchical structure with a matrix system of control. Jimmy Burns reports

revor Toolan, manag-ing director personnel at British Rail believes he is helping create something akin to a rev-

"When we first started talking ebout it... the view was that we couldn't do it. Actually what's happened is

Actually what's happened is that we've taken to it with a vengeance," he says.

The "it" in question is arguably BR's most ambitious corporate reorganisation since the nationalisation of the railways in 1948. The aim today, however, is rather different from what it was then the transformation of a once top-heavy, loss-making public corporation loss-making public corporation into a profitable market-led husiness capable of standing on its own two feet without the

support of government.
One of the main planks of the reorganisation has been the speeding up of e management restructuring. This began in the late 1970s with the aboli-tion of the second tier "divisional" management and its replacement by a tightly-knit chain of command involving

regional and area managers.

The restructuring continued to develop in the early 1980s with the creation of five business sectors: intercity, network south-east and provincial passenger services, freight and

Now it involves further devolution of responsibility to area and subsectors including "self-accounting units" each with clear performance targets and a large measure of autonomy in marketing policy and staff organisation. BR claims that the success of

this move away from manag-ing a traditional hierarchical organisation to managing a matrix was instrumental in helping the board last year record its best results in its 25 year corporate history.

Toolan admits that the suc-cess of the reorganisation has not yet proved uniform. The administrative overheads incurred by various depart-ments at BR's headquarters along the Euston Road, in London, is one area which has "so far escaped" the revolution. By contrast BR's restruc-

tured legal department and new streamlined subsectors in manufacturing and mainte-

nance, together with the new Anglia Region - formerly part with no net increase in administrative staff – are held up as examples of success.

"We had become increasingly conscious of the extent to which managers within BR seemed relatively powerless to take simple decisions affecting resources. We have tried to change that so as to give indi-vidual managers a greater sense of responsibility and this has hed an impact on the effihas had an impact on the effi-ciency of a particular unit,"

says Toolan.

Also key to BR's reorganisa-tion has been the introduction of more flexible forms of pay which it expects to follow up towards the end of this year with further far-reaching changes to the collective bargaining arrangements covering its 130,000 staff.

Merit money has, since 1981, been paid to all managerial grades as a supplement to negotiated pay increases linked to the cost-of-living index. But from July, middle managers within the corresponding will within the organisation will receive no pay increases other than those based on merit, and Toolan hints that the system is likely to spread among lower grades in the medium term.

The widening scope of per-formance pay is viewed with great suspicion by the unions. Although its own members voted to accept individual contracts based on performance pay, the white collar rail union, the Transport Salaried Staffs' Association, sees the new system as potentially divi-sive and counter-productive. Toolan, however, denies that

BR's intention is to ensure that middle managers and other members of staff have no future role in negotiating either the criteria for the awards or the level of incre-Each middle manager will

have the opportunity to dismance at a meeting with his superior every six months and to which pay is tied. If he disagrees with his assessment he can appeal to an "over-man-

"What we want to create is a race in which there are only winners, not winners and los-



Trevor Toolan: creating a

ers. That's why we think it is important that the assessment should be a two-way process,

ays Toolan. The extent to which innovative forms of pay can spread wider through BR's organisa-tion in the coming year is likely to depend on the out-come of senior management's efforts to simplify the existing hargaining machinery which dates back to the 1950s.

Here the aim is thet bargaining procedures, now organised around rail "regions" should be reformed to reflect more closely the five business sec-

tors of the industry.
In this, as in much of the management philosophy guid-ing BR's present plans, there appears to be a reflection of Toolan's own track record in the motor industry in the late 1970s and his more recent expe-rience at Land Royer UK where he played a leading role in the company's rationalisa-

"Those were two decades of quite varied experience during which I was to witness much of the industry being torn apart by defective pay systems and managers surrendering their right to manage..."
Toolan will not identify the

numerous outside consultants dvising him on BR's reorganisation. But he is prepared to mention companies which may have had an influence on corporate thinking. The companies include Metal

Box, the UK packaging and printing company, which last July announced an innovative four-year pay and conditions deal as part of a radical restructuring of relations with staff and unions at one of its

One of the ideas introduced One of the meas introduced by the company is single status conditions of employment for all staff below managerial grade with the aim of develop-ing a multi-skilled workforce

and eradicating overtime.

Another company which Toolan would like BR to emulate is Rank Xerox. The com-pany faced tremendous comp-tition from the Japanese but has succeeded in clawing back its market share thanks to

improving customer service."

He also mentions Aer Lingus as a public company which has demonstrated an ability to compete and produce successful results.

Publicity surrounding recent rail disasters in the UK prompts Toolan to add a rider to his generally bubbly assess-ment. "The extent to which we devolve responsibility and allow each manager to pursue his objectives will always have to be subjugated to a concern throughout the railways with safety and that is the responsi

salety and that is the responsi-bility of the board."
Such a view is challenged by the unions — as is much of the ethos behind BR's new style "business management." They argue that safety and effective communication with the shopfloor has been sacrificed. They also argue that customer service has suffered as a result of a 5 per cent reduction last year in the number of staff and a

relentless push for profits. The unions remain deeply suspicious of other aspects of BR's reorganisation, each step of which appears to undermine their influence on the pay and conditions of staff.

Toolan denies that he is hell-bent on hreaking the unions within BR. "I find it impossible to imagine that in Great Britain we would ever see the end of trade unions ...I think the rail unions have shown evidence that they can co-operate," he says.

And yet his apparent deter-mination to push through change once consultation had failed to generate agreement could mean a less than peaceful revolution in the months

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### **FT LAW REPORTS**

# Determination of issue is a 'trial'

TATE AND LYLE INDUSTRIES LTD V DAVY MCKEE (LONDON)LTD Queen's Bench Division (Com-mercial Court): Mr Justice Hirst: December 21 1988

THE COMMERCIAL Court's practice of transferring appli-cations for leave to appeal from a building arbitrator to the Official Referee's Court is within its powers if determina-tion of the issue by an official referee is desirable on ground of expedition, economy, conve-nience or otherwise.

Mr Justice Hirst so held when refusing an application by Tete and Lyle Industries Ltd, for a new hearing of its application for leave to appeal from an arbitration award made in favour of Davy McKee (London) Ltd. (London) Ltd.

Order 36 rule 1 of the Rules

Order 36 rule 1 of the Rules of the Supreme Court provides.

"(2) . . official referee's business includes . . . any cause or matter commenced in the Chancery Division or Queen's Bench Division . . . (b) for which trial by an official referee is desirable' in the interests of one or more of the parties on grounds of expedition, economy or convenience or economy or convenience or

HIS LORDSHIP said that on November 18 1987 an interim award was made in an arbitra-tion between Tate and Lyle as claimant and Davy McKee as respondent, concerning con-struction or reconstruction of plant in the eugar-refining The amount at stake exceeded £3m.

Tate and Lyle issued a summons for leave to appeal in the Commercial Court. On February 5 1988 the court made an order transferring the sum-mons to the Official Referee's Court. Judge Hawser heard the application and refused leave to appeal.

that the order for transfer was ultra vires, and that Judge Hawser's decision was a nullity. It asked the court to relist the summons in the Commer-

real Court for hearing de novo.

RSC Order 73 rules 3 and 6 provided that an application for leave to appeal from an arbitrator's award should be not a commencial index. made to a commercial judge "unless he otherwise directs." The powers of official refer-ees were laid down by RSC Order 36 rules 1 and rule 4.

Order 36 rule 1.

Tate and Lyle now alleged

By rule 1 their business included any cause or matter for which trial by an official referree was desirable. By rule 4(1) the official referee to

4(1) the official referee to whom the husiness was referred had the same powers as e judge.

RSC note number 36/1-9/10 described a trial before an official referee as "a trial in the High Court . . . notwithstanding that the official referees are nominated circuit judges." Mr Gardam for Tate and Lyle submitted that an official referee could only exercise High Court jurisdiction when

either (i) he was requested by the Lord Chancellor under section 9 of the Supreme Court Act 1981 to sit as a High Court judge (which did not apply in the present case); or (ii) when he was conducting official ref-erce's business as defined by

He submitted that the procedure for grant or refusal of leave to appeal from an arbitrator on a point of law, in the exercise of the court's discre-tion, could not constitute a "trial" within Order 36 rule

Mr Keating for Davy McKee submitted that Order 36 rule 1 should be accorded a broad construction in the light of the word "includes" and that "trial" extended to any determination which decided a point at issue

He said the application therefore fell within sub-rule (b) on the ground that trial by an official referee was desirable in the interests of expedition, economy or convenie The first question was

whether the proceeding was a "cause or matter" for which trial by an official referee was desirable for the reasons given. The words were very wide and fully apt to cover an appli-

cation for leave to appeal against the decision of an arbitrator. In that context, therefore, "trial" did not bear the narrow connotation sought by Mr Gar-dam, but was synonymous with "determination." Thus, even without recourse to "includes" the present application for leave to appeal was official referee's business, since trial or determination by an official referee was destrable in the interests described in the sub-rule.

That view was reinforced by the use of "includes," which showed that Order 36 rule 1 was not to he restrictively interpreted.

Once it was held that the cause or matter was properly to be treated as official refer-ee's business, Mr Gardam did not dispute that, by virtue of order 36 rule 4(1), the official referee had the powers of a

High Court judge.
It followed that the Commercial Court, pursuant to its
power to direct that such an application be heard otherwise than by a commercial judge, had power in construction industry or building cases like the present to direct that it be heard by an official referee. The application for a new

hearing was dismissed.
For Tate and Lyle: David Gardam QC and Nicholas Padfield (Simmons & Simmons).
For Davy McKee: Donald Keating QC and Rupert Jackson(Marchine).

Corrections In Ro Wolfer.

Correction: In Re Walter Jacob & Co Ltd (FT January 20), appearances for the Official Receiver were Roger Kaye (Booth & Blackwell).

Rachel Davies Borrister

### NORDIC BANKING

The Financial Times proposes to publish this survey on:

27th February 1989

For a full editorial synopsis and advertisement details, please contact:

Chris Schaaming on 01-248 8000 ext 3699

or write to him at: Bracken House 10 Cannoo Street London EC4P 4BY

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FINANCIAL TIMES

# TEESSIDE

The Financial Times proposes to publish a Survey on the above on

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GCRAPH, WEDNESDAY, JANUARY 25, 1989

# Whitehall to cut phone bills by

By David Millward, Political Staff

THE GOVERNMENT is expected to cut its £230 million annual phone bill substantially by switching half the lines within the "Whitehall village" from British Telecom to Mercury, the rival telecommunications company which has won a series of contracts over the past five years by undercutting BT.

Nowasparks. Commerce

Mercury is already reconsible for about half the Government's left, instance lines.

There are 35,600 handsets in Whitehall, defined by the Government's telephone managers as its offices within a mile of Big

Apart from being cheaper, Mercury's bills include a detailed list of calls made, per-mitting further economies by discouraging personal phone

· But even without the switch to Mercury, the Government could save more if departments throughout the country logged their calls and checked their bills from British Telecom, Mr John Bourn, the Comptroller and Auditor General, said

. Mr Bourn, who acts as the Government's accountant and financial watchdog, told MPs that Whitehall's record in controlling costs was patchy. Some departments kept a much tighter rein than others on phone bills. Pilot logging schemes,

designed to discourage civil servants from using phones for personal calls, achieved dramatic savings, Mr Bourn noted.

Where logging had been installed, savings varied considerably.

DSS headquarters in London, for instance, cut its bill by £41,000 a year after logging equipment was introduced. DSS headquarters in Fylde. Lancashire saved £70,000 a

The DSS in Newcastle saved £190,000 over two years and Customs and Excise in Southend saved £74,000 a year.

Mr Bourn said that the seven departments he examined could save the taxpayer £3 million a year if they logged all their

Not only were departments slow in taking action to cut back the number of personal calls made by staff, they were failing to take action to prevent over-charging by British Telecom.

"Major advances in the control of the several tens of thousands of millions of pounds spent annually by departments on British Telecom call charges will only be possible when call logging is extended and British Telecom issue itemised bills," Mr Bourn said.

The change to Mercury, which is planned over the next two years, could be reviewed if British Telecom's charges become more competitive. Comptroller and Audit Office Report By Comptroller and Auditor General. Management of Administrative Telecommunications. IIMSO 14 16 not.

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### THEATRE

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author, Prunelia Sca in as Her Majesty the Queen. In National Theatre repertor ring to West End (928 2252).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is Soviet veteran of tactical ston walling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraum (Olivier), Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Feb 13-16, March 1-4.

Brigadoon (Victoria Palace), 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

Mrs Klein (Apollo). Intriguing chat among the child psychoar lysts in Nicholas Wright'a hit transfer from the National. Fiz ing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with sa Redgrave candescently sensual and Italianate in atmo-Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville), Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained mardon, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

### **New York**

Rumours (Broadhurst). Neil Simon'a latest comedy is a selfconscious farce, with oumerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Chris-tine Baranski leads an ebuiltent cast in the inevitable but disap-

pointing hit. Cats (Winter Garden). Still a sell-out, Trevor Nunn's produ tion of T.S. Eliot's children's poetry set to music is visually tartling and choreographically feline (239 6262). A Chorus Line (Shubert). The

longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (339 6200). M. Butterfly (Eugene O'Nelli).

The surprise Tony winner for 1988 is e somewhat pretentious and obvious meditation on the and obvious mentation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's ing melodies in this mega-trans-fer from London (239 6200).

Driving Miss Datsy (Brian Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and ber black chauffeur exposes the changes in the South over the past several decades (348 4000).

(343 4000). Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dry ers in a busy hairdressing estabhment (988 9000).

The Piano Lesson (Goodman).

Prolific August Wilson continues
his exploration of the American in is experienced of the American black in history with a play, set in 1936, about a family's argu-ments set round an elaborately carved heirloom plano. Ends Feb 11 (443 3800).

Noh (National Noh Theatre). A double bill consisting of the

### Tokyo

famous noh play, Aoi no Ue (Lady Aoi), and a comic interiod (kyogen). Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "Western" nation. (Wed at 1pm) (423 1331). (Most other Noh theatres are open at weekends only. Check local press for details.) local press for decaus.)

Carmen (Aoyama Theatre), Musical (in Japanese) based on the opera, but which follows Merimée's novells more closely than Bizet did. The alm, according to director Mike Ashman of the Royal Opera House, Covent Gar-den, is to put back "the sex and violence". Stars Mao Daichi who,

unlike most Carmens, can dance as well as sing. (591 1711).

### MUSIC

inti Illimani with Paco Peña and John Williams (guitar). Flamenco, classical solos and music from South America combining the talents of the great Chilean group and two of the world's

top guitarists. John Ogdon (1 n Ogdon (piano). Rachmaninov, Beethoven. Wigmore Hall (Sun afternoon) (935 2141) Music from the Flames. Third and fourth concerts in series by the Brodsky String Quartet, featuring the complete Shosta-kovich quartets. Queen Elizabeth Hall (Mon. Wed) (928 8800) Cécile Ousset (piano). Mozart Beethoven, Fauré, Ravel. Royal Naval College Chapel, Greenwich (Wed) (317 8687)

### Paris

Ensemble Intercontemporain conducted by Hans Zender, with Elizabeth Laurence (mezzo-soprano), Alain Neveux (plano). Schnebel, Hidalgo, Zender, Re-Schnebel, Hidalgo, Zender, Rege Théâtre Renaud-Barrault (Mon) (42 56 08 80). Trio Tchaikovsky. Schubert, Rachmaninov. Salle Gaveau (Tue) (45 63 20 30). Orchestre de Parts conducted

by Daniel Barenboim; Orchestre de Paris choir conducted by

Arthur Oldham, Berlioz's The

### **OPERA AND BALLET**

Royal Opera, Covent Garden. Further performances of Nuris Espert's production of Madama Butterfly, new earlier this sea-son. Yoko Watanabe, Marlo Mal-agnini, Thomas Allen and Anne Masson take over the leading Masson take over the leading roles, and Mark Ermler conducts. English National Opera, Coliseum. First British performances of Aribert Reimann's Shake-speare adaptation, Lear, a 1970s opera already seen throughout mainland Europe and in the US. Monte Jaffe takes the title role, the cast includes Phyllis Cannon Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel. The production is borrowed from Krefeld. The 1977 production of La Bohème is revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Michaele-Moore, and Nancy Gustafson. Further performances of The Mikado in Jona-than Miller's sparkling updating. Royal Ballet presents Romeo and Juliet. Covent Garden (Fri,

### Mon. Tue).

Opéra Comique. Jean Baptiste Lully's Atys. The Grand Siècle in all its splendour, received th dour; received the Grand Prix de la Critique in 1987. Salle Favart (bookings 47 42 53 71, info 47 42 57 50). Paris Opéa. Wagner's Die Mei-stersinger von Nürnberg conducted by Lothar Zagrosek. The Hamburg Staatsoper production begins at 6 pm and lasts for

Damnation of Faust, Salle Pleyel (Thur) (45 68 07 96). Orchestre National de France conducted by Rudolf Barshai with Franco Gulli (violin). Stra-vinsky, Mozart, Shostakovitch. Théatre des Champs Elysées

(Thur) (47 20 36 37).

Austrian State Radio and Televi-sion Orchestra and the Arnold Schoenberg Choir conducted by Michael Gielen. Brahms, choenberg, Zemlinsky. Musik-

by Christoph Eschenbach. Bee-thoven, Haydn, Brahms. Musikverein (Sun). Wiener Kammerorchester con-Wiener Kammerorenesser con-ducted by Gunther Pichler. Webern, Haydn, Schubert. Konzerthaus (Sun, Tues). Philharmonische Solisten Berlin. Philharmonische Solisten Berlin Boccherini, Reger, Romberg, Mozart, Beethoven. Musikverein (Sun).

# (Sun). Clemencic Consort conducted by René Clemencic, Musikverin (Mon). Atlantis Trio Wien. Erod, Dvorak. Austrian Radio and Television Centre (Tues).

Frankfurt Hot Jazz Meeting 89 with Terry Gibbs and The Woody Hermann

Grande Halle de la Villette. Cho-pinot et Kok: modern dance with a boxing theme, to music by Wagner, Ravel and Verdi (48 05

Startsoper. In repertory: Cho-wanschischina (premiere) con-ducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna

Borowska, Wladimir Atlanto.

Cavalleria Rusticana conducte

by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra, Pag-liacci conducted by Garcia

Navarro and sung by Patgricia Wisl, Nicolai Ghiaurov, Matteo

Manuguerra, Pagliacci conducted by Carcia Navarro, with Patgri-cia Wise, Nicolai Ghiaurov, Mat-

teo Manuguerra. Iphigenie en Aulide conducted by Sir Charles Mackerras, with Gundula Janow-itz, Joanna Borowska, Noriko

Sasaki, Ballet: Dream Dances

Berlin

Sasaki. Ballet: Dream Dances, conducted by Ulf Schirmer and Les Noces, conducted by Ernst Maerzendorfer(51444, ext. 2660). Volksoper. In repertory: Die Fledermaus; Der Freischutz; Der Fremdenführer; Das Land des Lächelns; Mignon; Don Giovanni; Ein Walzertraum (51444, ext. 90057).

Opera. The fine Götz Friedrich

production of La Bohème fea-tures Catherine Malfitano, Gwen-

pproximatively 5% (47 42 53 and Andreas Schmidt. Die Zauberharfe is well conducted by Reducted Hollreiser. Fidelio fea-tures Spas Wenkoff, Barbara atelet. Baliet Antonio Gades to Manuel de Falla's music dance El Amor Brujo (40 28 28 28).

Opera. Der Rosenkavalier returns in the wonderful Michael Hampe production with Felicity Lott Gunter von Kannen, Teresa

Ringholz and Wasilli Janulako.

Dame de Paris, choreograp

by Roland Petit, rounds off the

### Frankfurt

Opera. John Cage's Opera Euro-peras 1&2 returns with Marianne Rorholm, Michal Shamir, Margit Neubauer and others. Also offered: Le Nozze di Figaro with Edith Mathis, Michal Shamir, Bodo Schwanbeck; and William Forsythe's ballet Isabelle's Dance.

Opera. Cav and Pag has a first-rate cast led by Eva Ran-dova, Angela Maria Blasi, Grace Hoffmann, Francisco Lazaro and Jorn W. Wilsing, Satyagraha by Philip Glass returns. Further performances of Dia Entführung aus dem Serail and Dornröschen.

Opera, Tannhäuser, produced by Jean-Claude Riber with a star cast led by Grace Bumbry has its premiere this week. Also the ultra modern production of Die Fledermaus by Bernard Broka.

in Via della Conciliazione (654 1044). Massimo Quarta (violin), with Marianna Brissacchi (piano). Mozart, Schumann, Ravel and

Grzegorz Novak conducts young Polish pianist Kristian Zimerman

with three works by Beethoven: Leonora overture No. 1 and Piano Concertos Nos. 1 and 3.

Hague Philharmonic conducted by Alain Lombard, with Dmitri Sitkovetsky (violin). Prokofiev,

Stravinsky. Radio Symphony Orchestra conducted by Kenneth Montgomery,

with Monserrat Caballe (soprano)

Prokofiev, Schnittke, Concertre-

### Paganini. Oratorio del Gonfalone (Vicolo della Scimia 1/br) (Thur)

Munich Philharmonic Orchestra conducted by Sergin Celibidache, Bach, Shostakovitch. Philhar-monie im Gasteig (Thurs). Seiji Ozawa conducts Beethoven, Beia Bartok. Teatro alla Scala (Mon) (80 91 26).

Berlin Philharmonic Orchestra with Katia and Marielle Labeque (piano), conducted by Semyon Bychkov. Schnittke, Mozart and Tchaikovsky. Berlin Philharmonie (Tues, Wed).

All Stars, Mr Acker Bilk'a Para-

Orchestra, NDR Big Band with

Etta Cameron and Munster'a

Oper, Grosser Saal (Sat).

Old Merry Tale Jazzband. Alte

Heinz Holliger conducting the wind section of the Chamber Orchestra of Europe, Berg and Schoenberg with Oleg Maisen-berg (piano) and Thomas Zehetmair (violin) (Fri).

Aleksandr Lazarev conducting Tchaikovsky's Suite No. 3 in G Major and Rachmaninov's Aleko, with Galma Kalinina (soprano), and Giacomo Aragail (solnan) and Giacomo Aragail (tenor). (Sun) (718 245). Boyal Concertgebouw Orchestra conducted by Claus Peter Flor, with Natalia Gutman (cello). Tamara Sinjavkaja (mezzo-so-prano). Aleksandr Fedin (tenor) and Evgenij Nesterenko (bass) (Sun, Mon, Tue). Auditorium

Teatro dell'Opera. Cimarosa's Gli Orazi e i Curiazi conducter by Alan Curtis, with Gianna Rolandi, Anna Caterina Anton-acci, Patrizia Dordi and Franco Farina (Thur) (46.17.55.). Teatro Olimpico. Highlight of the British month event, organised by the British Council and the Accademia Filarmonica, and funded by ICI, is Benjamin Britten's only comic opera Albert Herring. It is performed by the Glyndebourne Touring Company on its first visit to Italy, and con-ducted by Graeme Jenkins. The production is by Christopher Newell, based on Peter Hall's original, and the cast includes Pauline Tinsely as the dominat-ing Lady Billows, Susan Bickley as Florence, and John Graham-Hall in the title role, (Wed)

production of Weber's romantic opera Oberon, a mixture of Shakespeare. Ariosto and the Teatro alla Scala, Luca Ronconi's opera Oberon, a mixture of Shakespeare, Ariosto and the Arabian Nights, with sets by Margherita Palli (the production requires 43 scene changes) and costumes by Vera Marzot. The cast, performing in five languages, includes Philip Langridge (alternating with Manfred Fink), Michael Pabst (alternating with Paul Frey), Michael Ebbeke and Elizabeth Connell (alternating with Ingrid Haubold) and ing with Ingrid Haubold) and Trudelise Schmidt (80 91 26).

Teetro San Carlo, Mauro Bolog-

bouw (Thur). (718 345).

Rotterdam State Chamber Orchestra of the Soviet Union conducted by Vic-tor Tretyakov. Vivaldi, Rossini, Shostakovich, Haydn. Doelen

### (Mon).

New York New York Philharmonic conducted by Hugh Wolff, with Peter Serkin (piano). Bernstein, Ravel, Berlioz. Avery Fisher Hall, Lin-coln Center (Wed, Thur) (799

Yo To Ma 'cello recital with Emmanuel Ax (piano). Stravin-sky, Brahms, Chopin. Carnegie Hall (Tue) (247 7800). Andrew Rangell piano recital. Beethoven programme. Kauf-mann Hall (Wed) (427 6000). Juilliard Concerts, The 60s Revisited features works per-formed by Juilliard students iormed by Julinard Students illustrating the theme A Decs of Ferment, as demonstrated by composers Stefan Wolpe, Henry Cowell, Milton Babbitt Henry Cowell, Milton Babbitt,
John Cage, George Crumb, Lou,
Harrison, Miriam Gideon,
Charles Wuourien, Robert Erickson, Gyorgy Ligeti, David Diamond and Leon Kirchner. Free
but tickets required. Juilliard
Theatre, Lincoin Center (Wed,
Thur) (799 5000).

nini's production of Puccini's Madame Butterfly with Olivia Stapp, Klena Mauti Nunziata,

Eleonora Jankovitch, Nazarena Antinori and Giovanni de Ange-lis, conducted by Bruno Moretti

Allan Glassman as Alfred; and Alda with Aprile Millo in the title role, with Vladimir Popov as Ramades and Alain Fondary

Ruddigure City Center, The New Sadier's Wells Company, con-

ducted by Joseph Karaviotis, features Harold Innocent in this

week of performances of Gilbert and Sullivan's castle-bound melo-drama (581 7907).

New York City Ballet, State

as Amonasro, conducted by Christian Badea (362 6000).

(797 3412).

**New York** 

# Carol Webber soprano recital with Philip Highfall (plano). Copland, Prokoflev. Poulenc, Granados. Kaufmann Hall (Thur) (427 6000).

Philadelphia Orchasita conducted by Riccardo Muti, with Bruno Canino and Antonio Beilista (piano duo). Mozart, Burbok, Stravinsky, Ravel, Kennedy Ceo-ter Concert Hall (Mon) (254 5778).

Chicago Symphony Orchestri conducted by Sir Georg Solti, with Jay Friedman (trombon Zwilich, Shostakovich, Orch

Hall (Tue) (435 6666) Tokyo

Yomiuri Nippon Symphony Orchestra conducted by Miklos-Erdelyi, Rachmaninov, Tchalles-sky, Suntory Hall (Tues) (270

6191). Shinsed Nihon Symphony Orchestra conducted by Kenno Yamada. Kreisker, Chopin, Wag-ner, Dvorak. Suntory Hall (Wed)

(505 1010). Amsterdam Bach Soloists. Bach. Tokyo Cathedral (Wed); Kan'i Hoken Hall, Gotanda (Thurs)

Theatre, Lincoln Center. The

40th anniversary season contin-ues with 25 works by George Balanchine, nine by Jerome Rob-

bins and five by Peter Martina. In addition, works by Laura Dean, Eliot Feld, William For-

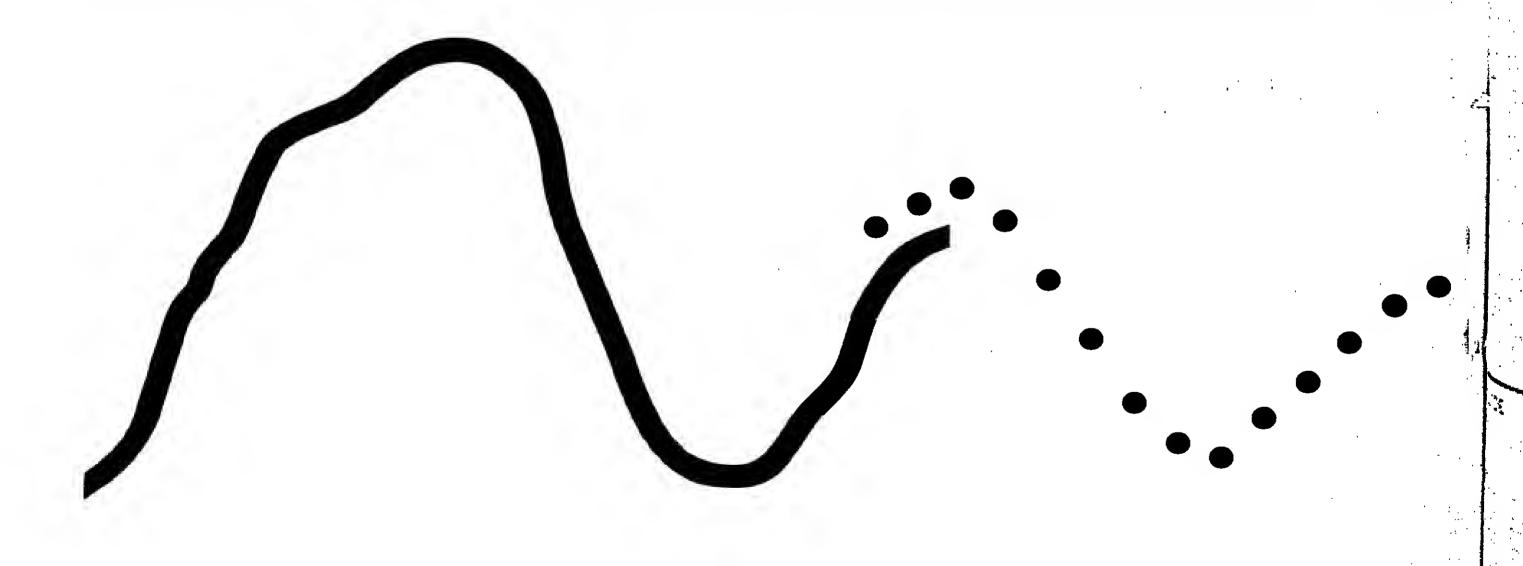
# sythe, Lar Lubovich, commis-sioned for this season, will be interspersed in the season, which

BAM Opera. The Welsh National Opera inaugurates the new BAM Opera with Peter Stein's cele-trated production of Falstaff, Washington Opera, Eisenhower Theater, Kennedy Center. Paul Lustig Dunkel conducts Albert with Richard Armstrong con ducting the US debuts of the WNO and Peter Stein. Brooklyn Academy of Music (307 7171). Metropolitan Opera House, Lin-coln Center. Bluebeard's Castle Takazauckas's production of The Postman Always Rings Twice, Stephen Paulus's 1982 adaptation continues with Jessye Norman as Judith and Samuel Ramey in tha title role, sharing the bill with the monodrama Ewartung of James M. Cain's novel of pas-sion and violence. Pamela South is Cora and Timothy Noien sings Frank in this Washington pre-miere. Theodore Baerg continues where Jessye Norman sings the Woman. James Levine conducts both, as well as Don Carlo with as Figaro and Ruth Ann Swenson as Rosina in The Barber of Sev-Neil Shicoff in the title role, Margaret Price as Elisabetta, Tatiana ille, as directed by Leoo Major and conducted by Joseph Res-Troyanos as Eboli and Bernd cigno (254 3776) Pennsylvania/Milwankee Ballst. A week-long visit features mixed Weikl as Rodrigo. The week also features the last performances of Die Fleidermaus with Barbara Daniels as Rosalinde, Helga Dera-nesch as Prince Orlofsky and programmes from this highly regarded regional company. Ken-nedy Center Opera House. Ends

### Feb 5 (254 3770) Chicago

Lyric Opera, Civic Opera House. The company's last week of the season features John Copley's production of Tancredi with Marilyn Horne in the title role, Chris Merritt as Argirio and Jan Galla

Bruno Bartoletti (332 2244) Continued on Page 15



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Two studies of an eagle's head by Perino del Vaga

# Chatsworth's hidden drawings

Susan Moore at the Fitzwilliam Museum, Cambridge

ing of Andromeda chained to the rock by Il Cavaliere d'Ar-pino; and an intense red chalk head of a man by Glovanni

Agostino da Lodi.
Some of the more arresting images are designs. None is more fantastical than Guilio

Romano's design for a metal platter in which all manner of

fish is compelled around a vor-tex into Oceana's gaping

mouth at its centre. An elon-

gated oval drawing of St Paul being lowered in a basket, by Perino del Vaga, is a design for a panel of embroidery on the

cope of Paul III.
Given the predelictions of Popham and Byam Shaw -

and, indeed, Professor Jeffé -it is unsurprising that so many

of the finest exhibits in this

third show are drawn from the Northern schools. The transi-

tion north of the Alps is made with Jan Bruegel the Elder's copy of Matthijs Bril's "The

Arch of Septimius Severus, in

Rubens and Van Dyck are

consummate sensitivity.

Rembrandt's inimitable Amstel

landscapes to line one wall,

despite the sale of a dozen

sheets in 1984 and 1987. The

Landscapes by Claude, Pous-

the show on a lyrical note.

fter two substantial exhibitions, and two depleting sales, it might have seemed that there were no great Old Master drawings at Chat-sworth that remained unnosworth that remained unnoticed. Not so, A further selection from this celebrated private collection has come to the Fitzwilliam Museum, Cambridge (until March 19), after an American tour organised by the Virginia-based International Exhibitions Foundation, Its quality and range are breathtaking.

A STATE OF THE STA

Court Court of Page 11

The 124 drawings were cho-sen by the Fitzwilliam's direc-tor, Professor Michael Jaffé tor, Professor Michael Jaffé (who is currently preparing a full catalogue of the collection). His focus here is the 16th and 17th centuries, and those areas of Italian, Flemish, Dutch, German and French draughtsmanship left largely unexploited by the two previous curators, the formidably distinguished A.E. Popham and James Byam Shaw,

James Byan Shaw,
The collection, amassed
largely by William Cavendish,
2nd Duke of Devonshire (1672-1739) can still boast four Leonardo grotesques, three drawings by Raphael, and a group of Rembrandt land scapes. There would have been more Raphaels had not Sir Thomas Lawrence managed to persuade the 6th Duke to part with three studies for "The Transfiguration" in return for

a portrait of George IV. These major sheets are justly celebrated, even if exhibited for the first time. Others have been overlooked, such as Hans Rottenhammer's "Diana and her Nymphs Bathing," or wrongly attributed, like Anni-Carracci's stunning modello for the Assumption altarpiece now in Dresden. It is the first time since the 18th century that Domenichino's beautiful, two-sided cartoon

has left the house.

Some of the lovellest drawings are not by the most distin-guished hands: a spectacular St Christopher carrying the Christ Child by the Bolognese artist Pietro Faccini; a surprisingly beautiful red chalk draw-

# Speed-the-Plow

This is the David Mamet play seen on

This is the David Mamet play seen on Broadway last year with Madonna as the temporary secretary caught in the crossilre between two new youngish executive Hollywood Turks. Some reports suggested she held up the play, others she was just Madonna out of her depth.

My first reaction to the National Theatre version, directed by Mamet's longtime associate Gregory Mosher, is that depth is not anything Madonna could have been out of in this play.

By the very high standards he has set himself in what Robert Brustein has memorably identified as the tragic joy of American Buffalo and Glengarry Glen Ross, Speed-the-Plone is thinly textured and slight.

At the National, two of the performers are miscast, and the design and lighting, by Michael Merritt and Kevin Rigdon, are poor. The settings are of cheap-looking art deco fawn fuzz, with mottled glass screens, and random signs of redecoration—blotches of paint, a step-ladder. But there seem always to be agree of

blotches of paint, a step-ladder. But there seem always to be acres of space, dead patches, muzzy long shad-ows and black spots.

It is a tale of Tinsel Town, of sud-

den power, sudden lust, sudden betrayal and swift adjustment. At its beart lies the great American entertainment industry paranoia over Art versus Money. "Is it a good film?" the secretary asks. "I admire you for not being ashamed to ask the question", replies Bobby Gould, the newly

installed Head of Productions, Charlie Fox, his sidekick of 11 years standing and grovelling, has brought him a prison movie outline with sex, vio-lence and high buddy content by a feted writer who has crossed the

the unseen Head of the Studio, Karen, the secretary, challenges Bobby's explanation of the "courtesy read" explanation of the "courtesy read" procedure for unwanted wimpish "artsy" ideas based on cissie Eastern novels. She latches on to one about radiation, the loss of love and the End of the World. She is asked to report on it and to go to Bobby's house that night. Bobby has bet with Charlie that he can roll her in his duvet.

In the second of three short acts, Bobby and Karen kick around the radiation book over drinks, In the third act, bet collected, Bobby has dropped the prison project and plans to propose the radiation film. Charlie rallies and saves the day, Karen goes. Another nail is banged in the coffin of art, good intentions, open-eyed delusions thet the world might be changed by decent behaviour and

changed by decent behaviour and honest work.

production, and only when Alfred Molina is on stage as Charlie. I hope the NT sign up Molina for a long sentence on the South Bank. He is a wonderfully vital and appealing actor who sets about Mamet's cascading rhythms and stylistic switchbacks with a real physical vengeance and faultiess technique.

The Bobby Gould of Colin Stinton and the Karen of Rebecca Pidgeon, yet another woefully inexperienced NT recruit, are stiff and manufac-tured in comparison. Mamet is nothing if not a sexy writer, and his spir-alling speeches, fast riffs and spats need to be ridden with tenacity and

Stinton is fast and organised, but he disappears when not talking. Blockish and door, he signals like an automaand door, he signals like an automa-ton and is an implausible oczer of sexual charm, the odour of power. Pidgeon never really lets us know what she thinks, but concentrates on speaking very clearly. Ambiguity over the qualities of the awful radiation novel is permissible. But this girl is a go-getter moving too fast for her own good. She is found out by Charlie, then makes a mistake. None of this is invested with any tension or grit. invested with any tension or grit.

The overall impact is of a random flimsiness, and not of the greasily rampageous jungle warfare initiated on other Mamet occasions.



Michael Coveney Colin Stinton and Alfred Molina

# Rosemary Butcher

Members of Rosemary Butcher's supporters club make much of her supposed individuality and "independ-ance," words which hardly convey the fragmentary and tedious nature of her dances. tedious nature of her dances. Initiating a season in the Mall having to do with "Performance, Myth and Ritual" — more words which need redefining as ICA-speak — Miss Butcher has staged After the Crying and the Shouting. The programme sheet an overdeprogramme sheet, an over-de-signed document rich in quotations, and needing to be rotated to be read, utters warnings about the loss of natural resources and, insufferably, invokes the carnage of World War One.

Miss Butcher's six dancers -4f.2m - trudge gitmly about, working and re-working fragments of movement, taking up what used to be called poses plastiques, and generally wor-

rying wan little dance ideas like a terrier with an old slip-per. It is as if they were caught in some Sixties time-warp, reproducing the extinguish-ingly dull activities of such period bores as Yvonne Rainer. Like the dance experimentalists of the Sixtles, Miss Butcher is busy re-inventing the wheel, proposing the mun-dane as "movement," but giv-ing her activity a currently modish ecological message —
nowhere apparent in the dance
— about a landscape "under
threat." This may, indeed, be
the first Green choreography,

Miss Butcher's dance is very solemn, astonishingly slow, and her performers have the theatrical vivacity of auto-mata, wearing that scrubbed

and is probably bio-degradable.

But the greater threat is to the tradition of choreography as an art form expressive, exact,

and innocent look I associate with amateurs striving in a Good Cause. An additional hazard to the evening is a sentimental and minimalist score by Wim Mertens, sickly phrases churning round and round. And round. What merits the show boasts

have to do with the light installation by Ron Haselden. Above the dance area, a skele-tal frame bears hundreds of tiny winking lights. These look at first rather mere as decoration, though I much enjoyed a tion, though I much enjoyed a small frame containing red light-shapes which twittered and appeared to jump about like mysterious birds in a cage. The final descent of the light-bearing diodes among the dancers, like fire-flies or falling stars, was magical, and suddenly brought a sense of these denly brought a sense of thea-tre to this home-spun exercise. For the converted only.

Clement Crisp

# Romeo and Juliet

COVENT GARDEN

Two young newcomers as Romeo and Juliet on Wednes-day night brought an inevita-ble and charming air of inno-cence and tenderness to the cence and tenderness to the Veronese tragedy. Viviana Durante has also a quickness of temperament that helps explain the obsessive nature of Juliet's love, so that when faced with family pressures she becomes rebellious, angry, and more than ever determined to be true to her passion. This Miss Durante brought off with a splendid fire, the character alert with feeling, the dancing in the third act cast in bright, communicative lines of emotion. municative lines of emotion.

Her expressive directness is right for MacMillan's version, which, from the first, found its motor energy in Lynn Sey-mour's proud and head-strong girl. In matter of dancing Miss Durante showed her best qualities of darting, clear-pulsed movement: she was all ecstasy in the balcony duet; wraith-like yet true to herself in the arms of Paris when she finally yielded to him. A distinguished debut, in sum: the role is already hers, and will develop. Not least, I hope, in making the run to Friar Laurence even freer and more urgent; shades of Saymour (and Pleasure and of Seymour (and Ulanova and Plisetskaya in the Lavrovsky staging) justifying the evening for us on this alone.

Bruce Sansom's Romeo is socially a cut above most of his predecessors. Not for him the usual mateyness of a roaring boy. There is an element of reserve, of good breeding, that touches every aspect of the character, and yet does not diminish the immediacy of his love for Juliet, Cool, perhaps, at moments, it is nonetheless a reading well-reasoned, well set out, and dramatically credible. Purity of physical diction, clarity of line, mark his dancing, and lightness of technique is matched by a simplicity of emotional means, it is a por-trait very youthful, very English, and none the worse for that.

Among other casting new to me, especial praise for Guy Niblett's Tybalt. Mr Niblett, who has been seen to such advantage in roles calling for charm or decency - Glorgio in Valley of Shadows, the Nutcracker Prince - here draws an arrogant bully with unerring directness and force. The dramatic depth and intelligence of the company playing I think very fine, reflecting exactly the varied textures of Bernard Haitink's grand account of the score.

Clement Crisp

### generously represented, the latter most impressively by a fine half-length portrait of the history painter Jan Snellincx, and a sheet of hand studies of Strauss and Mozart FESTIVAL HALL

an extra posse of a dozen trumpets, the Festival Prehide by Richard Strauss set the latest of London's musical Chatsworth Saint Nicholas of series off to a raucous start. Bari has been elevated from copy to an original Hans Bal-One of the benefits of the current pre-occupation for arranging concerts in themes is that it allows the musical sin and their compatriots, close directors of the London orchestras to indulge their apecialities, as Tilson Thomas has with Gershwin or Ashkenazy with Shostakovich.

And so it is likely to prove in this case too, as Strauss and

Despite the damage inflicted by prolonged exposure to light - when the 6th Duke hung drawings in the Sketch Gallery - Claude's romantic landscape with Roman ruins, "A Walled City and a river Valley," Mozart have long been composers dear to John Pritchard in remains one of his most evocathe opera-house. The series of tive images. Professor Jaffé's catalogue six concerts on which he is just embarking with the BBC entries are crisp and scholarly. The catalogue design, undeni-ably handsome, cannot claim Symphony Orchestra looks set to re-affirm how satisfying his mellow outlook and plain good comparable clarity; the draw-ings tend to be reproduced to a scale that belies their actual or sense are in the interpretation of Strauss and generally in Mozart, although on the evidence of this first concert Pritchard's music-making will always be a known quantity.

The main Strauss work of the evening did arguably go as expected: a serious and unexaggerated account of Don Quixote with Timothy Hugh fully holding his own as the cello soloist, at least given the favourable balance that obtains on the radio. But the urgency with which Pritchard launched into Mozart's Prague Symphony was a welcom surprise, as was the absence of the "big-band" heaviness that one anticipates nowadays from classical composers on a conventional orchestra.

For the novelty of the evening Pritchard and the BBC had come up with a real rarity. This was Strauss's Taillefer an extraordinary glorification of the battle of Hastings in the form of a vast choral ballad, whose main (only?) source of

audience is the witless music with which Strauss sees fit to portray the victorious Normans. Even Pritchard described the score as "doubt-ful," a judicious choice of words.

As so often with this composer, the scale of the work is in inverse proportion to its musical inspiration. Three soloists were called for the soprano Alison Wells,
 tenor Ian Caley and baritone
 Neil Howlett — and on this occasion there were no less than three choirs, with the combined forces of the BBC Singers, the BBC Symphony Chorus and the London Choral Society, all of whom no doubt enjoyed themselves enor-mously. More modest (and more inspired) Strauss follows next Wednesday.

# Opera in San Francisco

Josephine Barstow gave the most memorable performance in a San Francisco Opera sea-son whose successes were largely those of individual art-ists. Replacing Anja Silja as Katerina Ismailova in the company's Russian-language Lady Macbeth of Mtsensk, Barstow gave a supremely inflected deeply affecting account of the title role.

Her performance anchored the season's finest ensemble effort. Also outstanding in a uniformly strong cast were Michael Devlin as a menac-ingly blustering Boris, William Lewis as a haltingly ineffectual Zinovy, and Jacque Trussel as the ardent, fickle Sergei. This revival of Wolfram Skalicki's production yielded the finest work in the pit to date by John Pritchard, now the company's

music director. The company's only "home built" new production, a Nicolas Joel Parsiful with designs by Pet Halmen, proved little more than a hapless exercise in "Eurotrash." The stated goals Richard Fairman of its production team were to bathe a traditionally gloomy

opera in bright (fluorescent) light and to supplant its nature. Bnt, as the team seemed less certain what the opera is about than what it is operatic experiences available evaporated into high kitsch.
The sets for the outer acts

did not suggest the Grail Forest and Temple so much as the holiday windows in an expen-sive parfumerie. Ironically, the sttempts to balance the Chris-tian symbols with those of other religious traditions did little more than prove how central Christian symbolism is to this drama. Klingsor's eminence, a huge

black skull flown in from above stage, yielded little beyond an understandably shaky performance from an acrophobic Walter Berry. Kundry's second-act entrance, on a red peacock bed one-third the size of the stage, similarly inhibited the seduction efforts of the radiantly beautiful Wal-trand Meier.

Throughoot, the efforts of the finest Parsiful cast imagin-able today (Rene Kollo as Parsifal, Jorma Hynninen as Amfortas, and Kurt Moll as Gurnemanz) were undercut by ridiculous costumes, a lack of clarity in Joel's direction, and Pritchard.

The season was framed by appearances by both Placido Domingo and Luciano Pavarotti, in performances of Mey-erbeer's L'Africaine and La Bohème, respectively. The fact that both productions were videotaped for forthcoming telecasts lent lustre to the produc-tions. The performances, by and large, did not. L'Africaine, last seen here in

1973, pitted Domingo and Shir-ley Verrett against memories of themselves in the same parts 16 years ago. Domingo-sand with greater depth and involvement than before (per-haps his own globetrotting has evoked new sympathy for Vasco da Gama). Verrett sang insecurely but acted with her wonted commitment. Justino Diaz bluffed his way through the role of Nelusko, but Ruth Ann Swenson (Inez) and Michael Devlin (Don Pedro) rendered vivid musical portraits. Skalicki's original produc-tion was largely refurbished

and, with new costumes designed by Amrei Skalicki, the revival virtually counted as a new production. The direction, by the company's new general director, Lotfi Mansouri, also amounted to a rethinking of his work in 1973. One would have thought that the reason for mounting a major Meyerbeer revival would have been to demonstrate why Meyerbeer dominated European opera in the mid-19th cen-

tury. But the bland superficiality of the production and the lurching, unidiomatic conduct-ing of Maurizio Arena only tingly, argued the case for the devaluation of Meyerbeer

today.
The Bohème, in a production only a few seasons old, was of little musical importance. Both Pavarotti and Mirella Freni, his Mimi, were well below par vocally. Tiziano Severini's conducting - like Sinopoli's Puccini, more of an autopsy of the score than an effort to bring it life - was not an asset to

the enterprise. The American première of Rossini's Maometto II (in the Met's drab Benois sets for L'Assedio di Corinto) was a worthier enterprise and an absorb-ing evening. Alberto Zedda conducted with a knowing feel for Rossini's unusual musical architecture.

Although Marilyn Horne did not fully command the role of the general Calbo, there was exemplary Rossini singing to be heard from Chris Merritt as Paolo Erisso, Simone Alaimo as Magmetto and Robert Tate as Condulmiero. After a somewhat tentative start June Anderson gave s sumptuously vocalised, dramatically alert performance as Anna Erisso.

A revial of The Rake's Progress in the Hockney production was lamed by John Mauceri's lifeless conducting. Jerry Had-ley was a vivid, winning Rake and William Shimell made an auspicious American debut as Shadow, but the other important roles were either over – (Victoria Vergara's Baba) or under – (Susan Patterson's Ann Truelove) sung. Some of the season's most

exciting surprises were of an extra-musical nature. A revival of the infamous Ponelle Der Fliegende Hollaender was enlived when, after a first per formance fraught with vocal misadventure Deborah Polaski cancelled her remaining Sentas and subsequently announced that she was abondoning her operatic career after God appeared to her in the San Francisco hotel room, com-manding her to devote herself

solely to religious music.

Late in the season, Eva Marton, singing the title role in La Giocondo, waged war with the supartitles. Audiance mirth over the vernacular translation prompted the star soprano to shout, in English, from the stage, "What's so funny?" When her audience gasped in amazement, she added, "We're working up here," and left the stage. Although she returned to complete the role, abe declined a curtain call.

Timothy Pfaff

### **ARTS GUIDE**

### Continued from Page 14 **FXHIBITIONS** London

The Royal Academy, Italian Art in the 20th century; after Garman and British, the third in the Academy's roughly blasmial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and helrather more cursory and hel-ter-skelter in bringing the str not execute in bringing the stor up to date. Delly until April 9, except Good Friday; sponsors Alitalia and Flat.

Grand Palsis, Paul Gauguin. Coming after Washington and Chicago, 250 works from the United States, the Soviet Union, Japan and Czechoslovakia, together with those in Franch legendary pointre moudit, January 14 until April 24, closed Tus; late closing might Wed (42 96 58

30). Musée Picasso, Because the floors of the museum are crumbling under the passage of visitors, all the paintings have had in be taken down during repairs, which will last for about two

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandi's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition

consists of 29 canvases by Rem-brandteeque artists and is espe-cially interesting in view of the recent controversy about attribu-tions of some of Rembrandt's own paintings. Both exhibitions closed Tue, The first ends Jan 30, the second March 27. Entry from the Quai des Tulleries, opposite Pont Royal (42 60 39 opposite Pont Royal (42 60 39 26).

relative sizes.

26). Centre Georges Pompidou. Tin-guely's tinkering genius sets his machines swirling and whirms machines swiring and win-ring in a rlot of colours, yet the mood of the 100 exhibits moves from the exhiberance of invention to metryhysical preoccupations in his recent works. Closed Tue. Ends March 27 (42 77 12 33).

Minese Bellevne. Les Flacons de la Seduction. The art of per-fumery in the 18th century, 7 Place des Palais, Ends Feb 19. Palais Des Beaux-Arts. 34th Bel gian Antiques fair organised by 48 Belgian collectors and dealer This year's theme is "the unex-pected" — l'objet imprevu. Ends February 12. 513 4831. Musée D'Art Moderne. A retrospective of the paintings of Jean-Jacques Gellard (1890-1976). Closed Monday. Ends March 12.

Museum of Contemporary Art of Antwerp. British sculpture 1960-1988. A major exhibition of works by 36 contemporary British sculptors, Closed Mon.

### Rotterdom

**Boymans-Van Beuninger** Museum. Twin exhibitions on

Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the

Koninkijik Museum Voor Schon Kunsten. Leopold de Waelplein. Golden Light: Art of the Icon. Contains 185 icons dating between the 18th-17th Centuries. Many of the Byzantine, Cretan and Russian icons are on public view for the first time and are lent mainly from private collec-tions. Closed Mon. Ends Feb 5.

Brucke Museum. Rmil Nolde (1857-1956). The exhibition con-centrates on Nolde's most cre-ative period in Berlin in 1910-1911. There are about 125 pictures, aquarelles, lithographs pictures, aquarelles, lithograp and stchings, Bussardateig 9.

### Stutigart

Stutigart Museum. The most important pictures of the famous Thyseen-Bornemissa collection covering the period between 14th-18th century as well as works by Holosin the youngest, franc Hole, Borne Paul Pubers. Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Kunstlerhans. The Soviets are becoming more relaxed about exhibiting their treasures abroad. The latest to hit the West is a collection from Leningrad's Her-mitage which is devoted to Scythian Gold, the golden arti-

# facts of the Scythians, a nomadic people who once ruled over a large area north of the Black Sea. The 170 exhibits — ranging from gold-embroidered clothings, earrings and tablewear — were found in the ritual grave mounds of the Scythian kings. Ends Feb-

ruary 26. Kunsthistoriches Museum. Prague 1600 – A marvellous exhibigue 1800 — A marvenous eximu-tion looking at the court of Rudoif 11, the great patron, not only of the arts but also the sci-ences. He kept Johannes Kepler, the astronomer from near starva-tion, and made Prague a centre of learning and culture. Ends

Museum der 20 Jahrhunderts, Klassische Moderne, a collection of the Museum's contemporary art. Ends March 7. Hermes Villa. Portraits by the fin de siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

# Villa Farnesina, Via della

Lingara 230. Over 100 fierce lith-ographs by the French artist Hoporé Daumier, most of which originally appeared in the Parisian satirical paper Charivari.
Unable to attack his monarch Unable to attack ms monarch
Louis Philippe directly during
the years 1830 to 1848, Daumier
lashed out victously at other
monarchs, mostly European,
but with a perticularly victous
series directed at the Emperor Soulougue of Haiti, for their racist attitudes. Until Feb 28. Galleria Nazionale d'arte Mod-erna. Witty conceptual art by one of the best of the middle sen eration of Italian artists, Giulio Paolini, born in Genoa in 1940.

Castello di Rivoli. Alberto Gia-cometti (1901-1966). A retrospec-tive of the Swiss artist's major works, in large part those shown in the French pavilion at the 1962 Venice Riemnale (when Gia-cometti won the sculpture prize). Organised in collaboration with the Maeght Foundation in Salur-Paul, the show includes the nine Fernmes de Venice in a highly effective grouping, his Femme effective grouping, his Femme Debout of 1960, and L'homme qui Marche — the latter looking acutely isolated in one of the acutely isolated in one of the vast stuccood rococo rooms of the Castello. Glacometr's poignant and austere works seeming strangely to gain in impact from the improbable setting. A fascinating side-show to the main exhibition is Glacometri as seen by photographers, including 129 photographers, including 129 photographes of the artist by family, friends and masters such as Man Ray, Cartier-Bresson, Ernst Scheidegger and Brassai, covering his life from the age of eight up to his funeral. Until Feb 25.

### New York

Metropolitan Museum of Art.
More than 100 works by
south-west American artist Georgia O'Kesile covers the range
of her career, focusing on her
influential abstracts, flower
paintings and stark desert landseason. Helf of the works are scapes. Half of the works are from the estate of the artist, who died in 1986. Ends Feb 5 Nakhamkin Gallery. Out of more openness in Moscow and better US-Soviet relations, Eduard Nakhamkin now has a New York gallery devoted to Russian art (and in the spring will open a

### January 20-26

gallery in Yokahama). The first New York show comprises more than 200 peintings, drawings and decorative objects from the Pushkin era, borrowed from Len-ingrad and Moscow museums. 1065 Maddson Av at 80th St. Ends Veb 20.

### Washington

Washington
National Gallery of Art.
Cézanne: the Karly Years.
Already seen at London's Royal
Academy of Art and the Musée
d'Orsay in Paris, the exhibition
comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859
to 1872. Ends April 30.
Hinshhorn Museum. Part of a
four city US tour of the contemporary German artist Gerhard.
Richter, the retrospective of the
52 year old artist has raised
American appreciation of his American appreciation of his figurative and abstract periods with 44 paintings as well as an installation piece based on color photos and two objects. Ends

### Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. This Zen temple was founded in 888, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle recognised centre for the gentle arts of the tea ceremony and flower arrangement and its treasures include beautiful gilt Buddha statuattes, lacquarware and porcelain from the Heian period. Begins January 31. Closed Monday days. Striped House Museum. Exhibi

tion of paintings by Ktyoshi Kożumi, third son of the late 19th century writer, Lafcadio

# FINANCIAL TIMES

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Friday January 27 1989

# Lawson versus **Delors**

THE FUTURE shape of the European Community has become the subject of a vigorous debate between Mr Jacques Delors, ou the one hand, and Mrs Margaret Thatcher and Mr Nigel Lawson, on the other. In his outspoken attack or the idea of an economic and monetary union (EMU) as "essentially a damaging diversion", Mr Lawson was responding to Mr Delors' recent assertion that treaty amendments would be required for this very provided. Mr Lawson was responding to Mr Delors' recent assertion that treaty amendments would be required for this very provided. purpose. Mr Lawson warned bluntly that "neither the British Government nor the British Parliament is prepared to accept the further Treaty amendments which the Presi-dent of the Commission evi-

dently envisages."

Behind the fury of the debate, a philosophical conflict between two differing conceptions of the European Community can be discerned. For the present British Government the single market is a decisive step towards a more liberal Europe." For Mr Delors, by contrast, the single market programme is just one element in the construction of a new

European political entity.

in the face of such divergences of aim, it is vital to make practical progress where agreement exists. Mr Lawson is right, therefore, when asserting the call of the call ing that calls for immediate advances in debateable areas ontside the single market programme itself will get in the way and may represent damag-ing diversionary tactics.

### **Protectionism**

Mr Lawson is justified, too, when he stresses the dangers of protectionism. He also identifies an itch for unnecessary regulation at the Community level, which the British Government is right to prevent the Commission from scratching.

Mr Lawson's case would be more compelling, however, if the actions of the British Government had not so often been at variance with its protestations. It was not the Community that forced British acquiescence in the UK's voluntary restraint arrangement on imports of Japanese cars or that introduced the concept of reciprocity into the Financial rvices Act of 1986. Nor was it in the teeth of British opposition that the Community

secured UK participation in the multi-fibre arrangement, the high levels of assistance given to UK farming, or even the pro-tectionist Community anti-

dumping policy.
At the same time, Mr Law son's views on the longer term aim of EMU must be chal-lenged. While not a necessary condition for the single market, EMU is likely to be of some assistance in securing its full benefits. Furthermore, while EMU entails the loss of monetary sovereignty, the same is not true for fiscal sovereignty. All that would be lost here is the ability to finance fiscal deficits via the inflation

### Unconvincing

Mr Lawson asserts that "sub-ject to the overriding need to bear down on inflation, we fully accept the advantages of reducing currency fluctuations." The first half of this is wholly unconvincing. Mone-tary policy under Mr Lawson has certainly not been ruled by any "overriding" need to bear down on inflation, at least by comparison with most of the full members of the European Monetary System.

The monetary sovereignty on which Mr Lawson insists is a license to depreciate the cura license to depreciate the currency. Since 1932, when sterling went off the gold standard, the purchasing power of the pound has fallen no less than 26 times and, even under the present Government, it has halved. Why does the Government wish to preserve its right ment wish to preserve its right to go on drinking from this poi-soned chalice?

soned chalice?

Nevertheless, the priority is completion of the internal market on liberal principles and, in the field of monetary policy, further development of the European Monetary System. While Mr Lawson's remarks on monetary union may placate the Prime Minister, they can-not obscure the absurdity of policy on the EMS, since full membership would be pre-cisely the sort of practical step that should recommend itself to the UK. For bow long can even a man a self-assured as Mr Lawson bope that audiences will listen with straight faces to repeated statements that "we will join the exchange rate mechanism when we believe that the time is right?

# London's rail future

IN PUBLISHING the Central London Rail Study, Mr Paul Channon, the Transport Secre-tary, has taken the first, and probably decisive, step towards solving London's chronic con-gestion problems. The report makes a cogent case for spending £3.5bn on new infrastruc-ture, part of which would involve the building of new rail lines under the capital. With the facts and arguments now in the public domain, the pressure for action is likely to prove irresistible. Mr Channon wants to present a bill to par-liament hy November. He should be allowed to do so.

The figures on overcrowding more than confirm anecdotal impressions of a deteriorating service. The number of Underservice. The number of Under-ground passengers arriving in central London during the rush hour, for example, has jumped by nearly 50 per cent since 1982, causing serious con-gestion in 25 Underground sta-tions. The study projects sub-stantial further growth in central London employment central London employment during the next 13 years. The consequences include a 20 per cent rise in British Rall trips during the morning rush hour, a 13 per cent increase in Underground journeys, and chronic overcrowding in a further 10-15 Underground stations.

### First step

Action is clearly necessary.
The first step is a £1.5hn programme of improvements to the existing network, involving more trains, extensions to stations and the restructuring of services (for example the splitting of the Underground's Northern Line into two separate rontes). Considerable expenditure on signalling expenditure on signalling equipment is required: the systems installed in the 1970s are unable to cope with train frequencies which were rou-tine in the 1940s.

But such npgrading would hardly dent congestion during peak bours: there is thus a powerful case for new lines or extensions of existing track. The report puts forward two options. The first, called Full Cross, consists of BR gauge tunnels running north-south and east-west. The second involves the same east-west rail link plus a new northsouth tube line. Capital costs

in both cases would be around £2hn. Either package, it is argued, would climinate around 95 per cent of the congestion not dealt with by the

upgrading programme.
The Full Cross scheme looks marginally more attractive since it is cheaper and offers a higher ratio of benefits to costs. But either would be a welcome improvement. The chances that the capital spend-ing involved would prove unnecessary look minimal.
This study, like so many previous Transport Department reports, bases its calculations on its lower projection of employment growth: an M25 contemps is thus entirely possioutcome is thus entirely possi-ble with investment failing to keep pace with rising traffic. Indeed, the study concedes that its estimates of benefits from investment may be "cautious rather than optimistic."

### How to pay

The knotty issue is how to pay for all this desirable investment. Mr Channon, unlike the 19th century cre-ators of the Underground, does not want to lose his shirt. He is prepared to make grants where there are sufficient non-user benefits (for example reduc-tions in road congestion) and will try to extract cash from developers who stand to bene-fit from enhanced land values. But the bulk of the costs will have to be met by unspecified increases in fares. There is no question of asking taxpayers in the rest of the country to subsidise better transport in Lon-don. This is a hard-nosed conclusion, but probably justified given the regional distribution of wealth and employment.

The study has only one seri-ous drawback: its narrow terms of reference. It does not make sense to analyse rail con-gestion in isolation. Ideally, Mr Channon should have commissioned a study of London's overall transport needs - in other words looked at cars and buses as well as trains. He should have analysed the costs and benefits of market-based solutions to congestion, such as road pricing. It is hard to believe, however, that such a wider study would not have reached similar conclusions on the need to invest heavily in rail infrastructure.

James Buchan and Peter Marsh examine the spectacular success of the world's biggest pharmaceuticals group

# The winning mix in drug research

r William Campbell is a senior research biologist at Merck, the US company which is, by a wide margin, the world's biggest pharmaceutical group. In 1981, after six years of research and development, he brought to market a drug called ivermectin which has revolutionised the treatment of cattle against parasites and provided more than \$1bn (2564m) in

Dr Campbell – an expairlate Irishman with a hint of burr in his voice is among a team of 80 research scientists who work on animal health at Merck'e main laboratories in Rahway, New Jersey, and who cost the company more than \$8m a year.

Despite Dr Campbell's cheerful admission that the team is "a very long way" from finding a successor to tvermectin, be says he is given a free rein: "One of the wonderful things about Merck I've found is that nobody looks over my shoulder."
You don't have to be at Merck long

to hear the word wonderful. The company's annual drug sales of more than \$5hn are some \$1hn more than those of its nearest rivals, Britain's Glaxo, Ciba-Geigy of Switzerland and Hoechst of West Germany. Of the world's 50 top-selling drugs, Merck is responsible for six - twice as many as any other company.

Merck's success was highlighted three days ago when it reported net income for last year of \$1.2bn, a 33 per cent rise on 1987. The company is worth almost as much on the stock market as the Ford Motor Company and more respected (according to a Fortune magazine survey) than Inter-national Business Machines - both of

national Business Machines — both of which are much bigger companies.

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs. Bringing these two sides of the husiness together is an increasing preoccupation for the \$120m-a-wear world plan. tion for the \$120bn-a-year world phar-maceuticals industry.

Because of stiff government regula-

tions on drug safety, new medicines are time-consuming and expensive to develop. With so many established products in the market, the cost of searching out new drugs has reached 10-15 per cent of most companies' turnover. It can often take 10 years and \$100m to bring a new drug through the necessary safety trials to market. The industry believes that it can only wrench sufficient new products out of R&D by closely co-ordinating marketing and research.

Merck's research outlay is greater than that of any other draws com-

than that of any other drugs com-pany. But sheer cash buried at drug discovery does not necessarily lead to results, as other pharmaceutical companies have discovered.

of Switzerland and - more recently - the US's SmithKline Beckman both spent heavily on pharmaceutical development but with far less commercial success than Merck. And Glaxo - the drugs company which has had the most rapid rise to prominence in the past decade, largely thanks to its Zantac anti-ulcer formulation — has done this with a relatively small R&D budget.
In Merck's case, the company makes a point of employing some of the world's top pharmacentical researchers and, as Dr Campbell has discovered to his satisfaction, giving them freedom to pursue intellectually challenging work. Much of this research involves novel scientific ideas in areas such as biotechnology which could lead to new drugs tai-

lored to attack particular ailments.

Merch's way of handling R&D can
be seen most clearly at its Rahway complex, a neat 210-acre expanse of brick huildings and lawns which looks like a university campus but for the piping that winds round the build-ings from a pilot chemical plant. Rahway's 1,700-odd scientists get the lion's share of the company's R&D

ending and it shows in the glittering array of computers, centrifuges, gene synthesisers and other expensive

gene synthesisers and other expensive gadgets that are piled one above the other in the laboratories.

Mr Bradley Sheares, a young biochemist who has just arrived at Rahway from post-doctoral work at the Massachusetts Institute of Technology, says: "MIT is not shabby by any stretch of the imagination. But here there's plenty of request for research there's plenty of money for research, there's all you need."

In these research labs, and at a site of the same size at West Point, Penn-

sylvania, Merck has developed 15 drugs with sales of more than \$100m in therapeutic classes ranging from animal parasitology to cardiovascular treatments, antibiotics and anti-ulcer drugs. A clutch of new treatments and vaccines are in clinical trials. and vaccines are in clinical trials.

Besides showing such largesse in research, Merck spends a lot of management time targeting scientific efforts to ensure they are aimed at therapeutic areas which have large sales potential. Examples of this approach include Merck's development of Meyscer a drug to combat ment of Mevacor, a drug to combat

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs

the build-up of cholesterol in arteries which can lead to heart attacks; and of Vasotec, a medicine for high blood pressure which is Merck's biggest selling product. Vasotec's sales of more than \$1bn a year are already match-ing those of a similar drug made by Squibb, another US pharmaceuticals company, which became available several years earlier. "The company doesn't meddle with the day-to-day research work. But it is

good at setting priorities and commnnicating to researchers what those are," says Dr Eugene Cortes, who was a research vice president at Marck for eight years before leaving to become research director at Sterling Drug, another US drugs group.

Merck can also be ruthless. It will

quickly drop a project that shows no promise. "We're not in this business for charity," says Mr Stanley Fidel-man, head of research planning. "Our whole industry is guilty of letting research projects go on too long."

Another key to Merck's approach is a close involvement by marketing

Business observers have particular praise for Dr Roy Vagelos, Merck's current chairman, who replaced Mr Huck. 59-year-old Dr Vagelos is a biochemist who has the rare distinction

Ambitious, serious and practical -like that other famous Greek-American, Michael Dukakis - Dr Vagelos worked his way through two universi-ties, did a spell as an intern at Rah-way and as a doctor in Boston. After a

At the time, most drug research consisted of random screening of natural substances, or "cranking out the assays," as the industry calls it. Under Dr Vagelos, Rahway gradually decreased the prominence of random screening in favour of a new approach - tailored drug design - just catching on in the industry. This was to identify key steps in the development of illness and then design a drug to

biochemistry and enzymology," Dr Vagelos says. "We undertook to change that research entirely. I told the chief executive who hired me, Henry Gadsden, that it was a risk because I'd never worked in drug discovery. It was a fantastic risk for the

ment of Merck: its staying power. During the 1970s, when virtually nothing of interest was emerging from its research pipeline, the company kept on with its large-scale R&D activity.

new compounds that could combat Aids - have followed the same "ratio-nal" pattern. "If you are lucky enough and your chemists are good enough, and your chemists are good enough, you can get so specific that you just turn off one enzyme and nothing else, and there are no side-effects, just exaggerated effects," says Dr Vagelos. Dr Vagelos has brought his own style to Merck: informal, egalitarian and intensely businesslike. Several scientists say they were attracted to

staff in new research projects. "There are continuous meetings between sciare continuous meetings between scientists working on a new product and the people who will eventually sell it this ensures that when the drug comes to the market it will meet a real need," says Mr John Lloyd Huck, who worked for Merck for 28 years, finally as company chairman, before retiring in 1986.

Business observers have particular

of being admired both for his management and scientific skills. He also figures in an often repeated Merck legend: as a boy, he waited at table and washed dishes at his parents' diner on larging Street in Pahyara half a dozen washed dishes at his pareins diner on Irving Street in Rahway, half a dozen blocks from the Merck laboratories. His sister married a Merck chemist she met in the luncheonette and Roy, too, became fascinated with the scientific control of the scientific tists who came through.

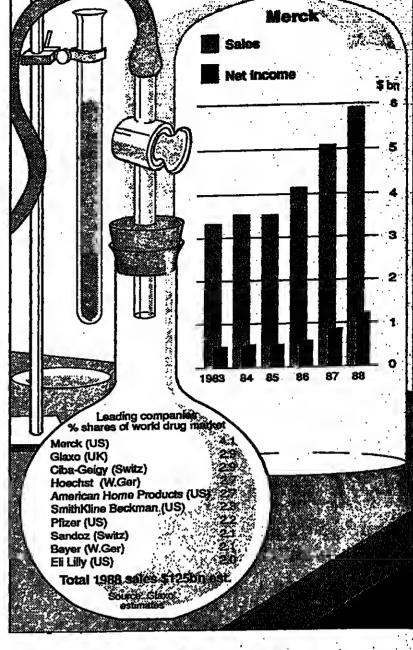
career as head of biological chemistry at Washington University in St Louis, he returned to Merck in 1975 to run Merck's research department, which was going through a dry spell.

break the chain,
"My background was in medicine,

company."
This underlines an essential ele-

In the end this policy - and the tai-lored drug approach - paid off, most spectacularly in the shape of Mevacor, launched in 1987 with estimated sales laurched in 1987 with estimated sales last year of \$200m, making it the most successful new drug ever.

Other projects — Vasotec, the anti-biotic Primaxin, a new drug to tackle



Rahway not just by the research facil-ities but by the ease with which scien-tists mingle there.

tists mingle there.
On the marketing front, Merck says it goes to some lengths to maximise the credibility of its specialised sales force — the "detail" men who call on doctors to tell them about new Merck drugs. Mr Louis Privitere, a senior Merck vice-president says: "We hope that when a representative of Merck walks in, the physician will know he is both well-informed and honest."
At this stage in its cornorate life. At this stage in its corporate life, there is nothing Merck will not take on. Although it has developed only one genetically engineered product - a hepatitis vaccine - it believes it

a hepatitis vaccine — It believes it can dominate the biotechnology industry. "We have as strong a capability as any pure biotechnology company," Dr Vagelos says. Mr Samuel Isaly, a leading Wall Street pharmaceuticals analyst, agrees: "When Merck puts its mind to something, its resources — its money — can bury resources — its money — can bury everyone else." As well as its army of admirers

As well as its army of admirers, Merck also has some critics. The company has come under attack from some consumer lobbying groups for its massive promotion of Mevacor and another similar anti-cholesterol drug called Zocor which is in its research pipeline. The cash speat on marketing such products would, according to this view, be better spent in telling people to eat less fatty food and exerpeople to eat less fatty food and exer-cise more to stop the cholesterol build-up in the first place. Merck has,

however, won plaudits from other consumer groups for its decision to give away ivermeetin to 250,000 people in central Africa afflicted by river blindness, an often disastrous tropical disease caused by parasite attack.

For all its size, Merck still has only 4.5 per cent of the fragmented world pharmaceuticals market. "I feel to be

No 1 and so little is ridiculous," says. Dr Vagelos. "If we could double our market share, then we would have the revenue stream that will allow us to work in all the interesting fields at once. At the moment, we have to race to be ahead of the competition.

My dream is to be like Bell Laboratories in its heyday. It was so large and could work on so many things, and things so way out that they would not pay off for years. I'm talking about the absolute strike, like the transistor. I'm talking about pure basic research."

As for the future, among Merck's rivals only Glaxo is credited with the organisation and the research clout to match the US company over the next few years. Other companies, not strong enough to manage the rising R&D costs and relentless competitive pressure, are expected to merge in a wave of consolidation which could severely thin the ranks of the the 70-odd companies with sales of over \$100m. Whatever the shape of the world pharmaceutical industry in the world pharmaceutical industry in the 1990s, Merck will continue to have a very large part in it.

# Peace comes to Oxford

The Oxford Union has traditionally gone in for full-dress debates, for or against a motion. Recently it has developed an additional format under which a single speaker is invited to give his views. Last October it was Jimmy Carter, a former US

Carter addressed a joint meeting of the Union and the University Middle East Society, his Camp David agreement on the Middle East being the achievement for which he is most remembered. He suggested that if they wanted to hear a moderate and reason able Palestinian voice they invite Bassam Abu-Sherif, an adviser to the PLO Chairman Yassir Arafat. So they did, and on Wednes-day night Abu-Sherif was

there, addressing a capacity audience of 700-odd students and through them urging the Israelis to "lay down your arms, we have an appointment

with peace".

It was not as electric as it might have been, because so much has changed in and around the Middle East since Carter spoke. For one thing, on his way to Oxford, Abu-She rif dropped in, for the second time, on William Waldegrave, the junior Foreign Office minister, who in between had been to call on Arafat himself in

For another, there was a conspicuous lack of hostile demon-strations. The Oxford University Jewish Society did telephone the organisers to protest, but their complaint was that they had not received an invitation to the meeting.

# Lone Pandolfi

■ Perhaps there are too many bureaucrats in Brussels, after all. Filipo Maria Pandoifi, the new Italian Commissioner who has responsibility for science and telecommunications, has been getting by on a staff of

# BSERVER

only two temporary advisers.
All other Commissioners have a "cabinet" of about six and take pride in how well their personal advisers keep them briefed: not least on what the other cabinets are up to. Pandolfi thought about appointing a team of scientific boffins, but may heve been talked out of it. "His behaviour is extremely odd," said one

diplomat, and he may be per-suaded to appoint a conven-tional cabinet in the end.

The lack of one has done
him no harm so far. Pandolfi put up a very spirited defence when Bruce Millan, the British Commissioner in charge or regional policy, sought to reduce the Italian share of regional funds.

### Etiquette

There is a lot to be said for there is a lot to be said for the convenience of business reply cards accompanying invitations to official events. Yet it is surely pushing it a bit to be expected to sign your name under the printed words

"... is delighted to accept."

There are some things we do out of duty. "So and so will attend" should be quite enough. enough.

### Dr Howells

■ After losing the by-election in Govan to the Scottish Nationalists last November, the Labour Party is plainly determined to put up heavy-weights in future campaigns. The shortlist for the by-election pending in Pontypridd included a deputy headmaster, an NHS scientist and Ivor Richard, a former European Commissioner, as well as Kim Howells, the eventual winner.



### "Stop complaining - at least you didn't have to pay me."

Howells had a four-year spell

in the Communist Party, but retorts: "So did Denis Healey." He uses his postgraduate doctorate freely: most people call him Dr Howells. A local boy, he lives and works in the con-stituency as research officer for the South Wales miners. In the miners' strike of 1984-85 he straddled the fence. An enthusiastic supporter of miners' solidarity at the start, he turned into en opponent of Arthur Scargill's tactics before the end.

He is also up with the times. "I thought of wearing my leather jacket to the selection meeting," he said. "But my mother told me to wear a suit, so I wore a suit."

Ponty, as everyone in Wales calls the constituency, is not an archetypal valleys seat despite its Labour majority of over 17,000. It has a strong agricultural sector as well as a council with several Plaid Cymru (Welsh Nationalist)

about a swing in its favour, which is another reason why Labour took the selection so seriously. Even Roy Hattersley, the deputy leader, was vetting the list.

members. Plaid is talking

# Danish Volvo

■ The Danes are planning a major trade campaign, Denmark in Britain, to be launched by Queen Margrethe in London in April. They cannot be too pleased, however, about the results of their preliminary research. Malene Djursaa, a lecturer

at Copenhagen Business School, found that about 40 per cent of the middle and senior British management did not know that Denmark is a member of Nato and 20 per cent have not yet realised that Denmark has joined the European Community. The ignorance of the general Brit-ish public is much wider. The point of the campaign

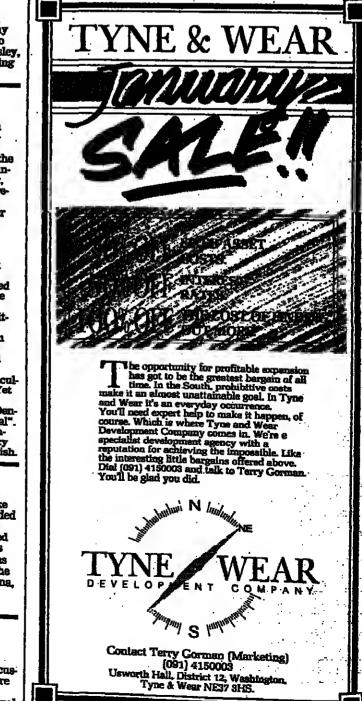
is to show that Denmark is now primarily en industrial country. In fact, exports of nanufactures overtook agricultural exports around 1960. Yet about 75 per cent of British management still think of Denmark as "mainly agricultural". Djursaa points to one com-pensation: a British tendency to believe that Voivo is Danish.

### Cafe closed

■ Who says Nato cannot take decisions? Yesterday it decided to drop the acronym for the talks on Conventional Armed Forces in Europe. Diplomats said that the term "cafe" was too frivolous and, because the talks are being held in Vienna, the Vienna Café was all too much.

### Superiority

"Are women really equal to men?" is the title of a discus-sion advertised at a Berkshire club. Someone has written underneath: "Women are equal to anything."



alk with care. There are bogs everywhere, and more to come. This warning applies to Britain and not, as you might think, beland. For Mrs Margaret Thatcher's Conservative Government is busy creating a more of bogs — boards of government as board over fist.

MAY SANGLARY 37,

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Morck

creating a nation of bogs — boards or governors — hand over fist.

Boards of governors will manage tha schools that choose to become independent of locally elected councils. More bogs will manage the hospitals that choose to detach themselves from the control of bealth authorities. Wa will hear about them next week when the Government publishes its proposals for the National Health Service. Boards of governors - call them committees if you are picky - will manage the housing associations that will take over many "opted-out" public housing estates.

nc nousing estates.

The Government's Bog Strategy is either devilishly, clever, or very stupid. At the moment it is impossible to tell which. Bear with me and I shall

explain.
Seen from Downing Street, Mrs
Thatcher's first decade in office
divides into three unequal and overlapping periods. In the first inflation
was brought under some sort of control, the trade unions were put in
their place and the broad lines of macroeconomic policy were set. In the second a start was made on develop-

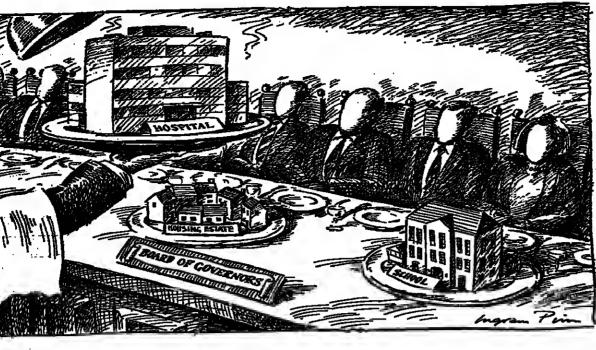
second a start was made on tevelop-ing the "enterprise culture."
This third term is devoted to social policy. Society itself is being reshaped in order to clear from British minds the idea that everything must be done by the welfare state. That delusion is to be replaced by the Thatcherite to be replaced by the Thatcherite principle that as much as possible must be done by the individual. There is, however, a difficulty. The tax financed education service is not something that could easily be wound up or privatised: too many blue-collar Tory voters depend on it. The National Health Service is persistently popular, in spite of its many glaring defects. Council housing estates constitute a bricks-and-mortar reality that cannot be wished away. estates constitute a bricks-and-mortar reality that cannot be wished away.

To get around this difficulty the Government has invented opting-out. Mrs Thatcher loves this invention. It seems to free people from the control of locally elected authorities. The Prime Minister does not like local authorities. In her mind they are dictatorial, irresponsible, spendthrift and, worst of all, often controlled by the Labour Party. During tha 1987 general election the Education Secretary, Mr Kenneth Baker, indicated that very few schools would be likely to opt out under his new Great Education Reform: Bill. Not so, said Mrs Thatcher. Very many would. Mr Nicholas Ridley, the Environment Secretary, needed no such Thatcherite reminders. He has hammered a thousand blows on local government and his overet and to we many most work.

reminders. He has hammered a thousand blows on local government and his great and, to my mind, most worthy ambition is to break its control over public rented housing.

Politically, enting out should be an easy sell. It appears to give power to parents and tenants. It is in tune with the idea that small self-governing institutions are likely to perform better than large bureaucracles. It should ensure value for money as entrepre-

# POLITICS TODAY



# Tories' bogland may prove treacherous

By Joe Rogaly

neurial headmasters/housing manag-ers/hospital directors take responsibil-

ers/hospital directors take responsibility for their own budgets.

Looked at this way, the Bog Strategy is indeed clever. An opted-out school head with commercial nous will use to the full his or her newfound freedom to charge for, say, special school journeys. There will be economies of scale, since an attractive school will be able to use the same number of classrooms and, up to a point, teachers, for marginally larger numbers of pupils. Each pupil comes with a set government grant, paid into the school's very own budget. It may be possible to do sponsorship deals with, say, IBM, and thus acquire deals with, say, IBM, and thus acquire a row of gleaming new personal computers for the classroom. The parents who vote for opting-out will surely be the kind who are good at fêtes and other forms of fund-raising.

The same will apply to the managements appointed by hospital trusts.

Their ability to trade with the private sector, and set up commercial stalls in their foyers, should give them opportunities for budget enhancements, although the precise extent to which the Treasury will let them keep their hard-won cash remains to be seen. At present not even the most opti-

mistic of the Thatcherite thinkers mistic of the Thatcherite thinkers behind this strategy is willing to forecast that It will tlp the balance against the core Welfare State. It is one thing for an NHS hospital to charge for a private room, or a specially taken photograph of a new-born haby; it is quite another to present a bill for an operation or other basic medical services. Fees for, say, visits to France by schoolchildren are on one side of this Rubicon; fees to attend classes are on the other.

attend classes are on the other.

Ideologues can, however, daydream. You can deduce the nature of such You can deduce the nature of such dreams by watching the political progress of Mr Robert Jackson, the junior minister for higher education. He helped persuade the Chancellor of the Exchequer, Mr Nigel Lawson, to overcome initial Treasury doubts about the introduction of a scheme of toward leave to meet students' subsistop-up loans to meet students' subsis-tence costs. The clinching argument was that this would encourage the growth of a financially prudent men-

Mr Jackson would like to go further. He wants British universities to charge for tuition itself. Mr Baker, who is Mr Jackson's ministerial boss, spoke favourably of an American-style system earlier this month. To

Mr Jackson, that would mean moving towards the financial structure of US state universities, which are beavily subsidised but which nevertheless charge fees. If Britain's universities do choose to impose tuition fees their income would (at least initially) be additional to the government grants they currently receive. This should secure university independence.

The snag is that no politician, not even the hardest Thatcherite, wants to be blamed for forcing middle-class parents to find more money to pay for their children's higher education. Lord (Keith) Joseph came a cropper when he tried that, and no Tory has forgotten it. Putting the onus on the quasi-independent universities is politically safer for the Government.

The universities may be easier to tackle than the other state-funded social services. Yet it is at least possi-ble, some free-market fanatics tell themselves, that the new bog-man-aged schools, hospitals and housing estates will become so familiar, and so attractive, that the country will be ready for the next step, which is genuine privatisation. This is not as fanciful as it may seem. The evidence of the first decade of Mrs Thatcher's

governance is that what seems impos sible at first mention very quickly becomes the conventional wisdom. Three or four years ago no one would have believed it possible to privatise water. A year ago the privatisation of coal or the railways would have seemed absurd. The introduction of student loans has been put off until new to give the private to now, to give opinion time to ripen. So much for devilishly clever. The

so much for devilsing clever. The Bog Strategy could, however, come to be regarded as very stupid. For a Thatcherite bog is a peculiar device. It is apparently independent, but in reality emergency lines of control go right back to Whitehall. Thus the Education Secretary was intergene if a tion Secretary may intervene if a school board behaves irrationally. The school board behaves irrationally. The Housing Corporation, which reports to the Environment Secretary, can similarly involve itself in the affairs of housing associations. Officials have spent a great deal of time devising proper controls over the new "independently managed" hospital trusts to be announced next week.

This severely dilutes an already weak form of electoral control over

This severely dilutes an already weak form of electoral control over the new bogs. Patients cannot elect hospital boards, so that takes care of that. Parents vote for school governors, but the transitional arrangements provide for a continued majority for representatives of existing boards. Housing associations are managed by volunteers, although every now and then a tenants' representative is elected.

aged by volunteers, although every now and then a tenants' representative is elected.

If voters are not to control the new bodies, perhaps the market will? The answer is only up to a point. Rents must be affordable. Fees for health care or education may not be charged. There is no price mechanism. School closures are possible, but the Secretary of State, not the market, will finally decide. Performance-related pay may be an incentive to some of the new managers, but there is no chance of stock options or a serious personal capital gain. The real motivation to manage well will be not be to accrue wealth, but rather to run a bigger school, bospital, or housing estate. The basic capitalist levers of fear and greed are absent. The ideal of public service is present.

More to the point, the Treasury will try to keep a lid on it all. Its own contribution of taxpayers' money will be cash-limited; the extra revenue

be cash-limited; the extra revenue accrued by school fêtes, charges for private hospital beds and the like can only be marginal. Consider what this means, Many individuals will doubtless serve on more than one board.

The army of good folk who give their time to the new boards could grow into a vociferous middle-class pres-

sure-group, ever asking for more. In short, the Government may tell itself that it is planting the seeds of a private-enterprise culture, but when it comes to harvest-time it could be a comes to harvest-time it could be a new public-expenditure crop that stands waving in the field. If this is indeed the result of what must so far be regarded as a strategy with unpre-dictable consequences, the new crop will be far stronger, and more difficult to control than its predecessors. It is easy to cut spending on local authority services. They are intended for the poor. Opted-out services are for Tory voters.

# LOMBARD

# The Emperor revisited

By Jurek Martin

THERE WERE good reasons to look forward to Edward Behr's "personal investigation" on television into the late Emperor Hirohito. First is the simple point that any exercise in the British mass media which does not focus on Japan as an economic miracle or a as an economic miracle of a sociological oddity can only be welcome. The BBC, after all, reaches audiences comparable to the readership of the Sun, whose views on most foreign countries and certainly Japan, are more calculated to inflame than to inflame

Second, contrary to the views of some with knowledge of Japan, it always seemed of Japan, it always seemed unlikely that the programme, whatever its thrust, or its timing so soon after the Emperor's demise, would be so offensive as to damage Anglo-Japanese relations, as The Death of a Princess was said to have done to the London-Riyadh connec-tion. Sensitive the Japanese may be, as they have shown in officially overreacting to the Sun's editorial gamma rays. But they are as pachyderms compared with the Saudis, and, in any case, the hilateral relationship with Britain is on far too solid a footing these days to be upset by any exercise in journalism.

Most important, there is gen-

uine uncertainty, to apply Watergate terminology to the 1930s and 1940s, over what Birohito knew and when he knew it, with the twist of whether he could have done anything about it. It is a legitimate area of inquiry, hitherto mostly confined to academics and conspiracy theorists, of whom the first, at least, acknowledge the incompleteness of their source material. The promise of the programme was to lift the veil a bit for general consumption, no bad apparent goal; according to the morning-after reaction of some colleagues, the fascinating archive film of pre-war Japan

certainly held the attention. All the more sadness, therefore, to reach the conclusion that Mr Behr's televised essay failed so badly and on so many counts, its research really was at best selective and at worst grievously flawed, as a devas-tating dissection by Dr Stephen Large, of the Faculty of Oriental studies at Cambridge, dem-

onstrates. He highlights not onstrates. He highlights not only a series of specific errors and omissions, particularly over the circumstances preceding Pearl Harbour, but also, and most critically, the absence of any attempt to explain how the Japanese Government actually worked before and during the last war and how the Emperor fitted into the scheme of things.

and how the Emperor Interinto the scheme of things.

Dr Large believes, rightly, that the Emperor reigned but did not rule. Having started from the reverse proposition. Mr Bebr adduced evidence only to prove his point. Some acknowledgement of the fact that historians do disagree would at least have been more would at least have been more

From this corner, the parallel disappointment was that it was such bad journalism. The was such bad journalism. The trade we practise is far from being perfect, but, at its best. in TV as in print, it can be fair and accurate without being boring. Perhaps a "personal investigation" is a label designed to warn in advance that balance is not a priority. but even this cannot excuse but even this cannot excuse the selective use of Western wartime propaganda film to prove the contention that Hirohito was implicated to the ears. Citing Japanese sources without explaining their provenance is something which would not escape notice if applied to an examination of a British, American, or even European issue (unless it were conducted viz the British par-

conducted via the British par-liamentary lobby, which, of course, does not acknowledge the existence of sources).

Initial reactions from Tokyo suggest that the Japanese see this programme as the latest example of the rise of global prejudice against them, equiva-lent to the smashing of Japa-nese radios on the lawns of the US Congress. It is surely more useful to remind Japan that the death of the Emperor was the death of the Emperor was always bound to disinter some always bound to disinter some deeply held feelings about the war. That is what Sir Geoffrey Howe correctly and promptly did this week, with his equally important rider that Japan is now a very important democratic country which should be on board not off side. And in that context, this week's television programme was a missed sion programme was a missed

# LETTERS

Trouble with takeover bids in 1992

From Mr Ian N. Tegner.

Sir, I read with interest Allen Sykes's article on hidproof companies (January 4). Part of his thesis appears to be that companies in Europe financed with debt and equity

financed with debt and equity

Trouble with takeover bids in 1992

there is a real possibility of any legal or nationalistic aversion to takeovers but simply as a structural consequence of long-standing custom and practice, resulting in relatively small equity markets. Part of his thesis appears to be that companies in Europe financed with debt and equity provided by banks are for that reason more efficient than those in the UK, where such holdings are rare. This is at least, I think, open to question. He goes on to highlight how the significant presence of banks as shareholders in many European companies also

those in the UK, where such holdings are rare. This is at least, I think, open to question. He goes on to highlight how the significant presence of banks as shareholders in many European companies also makes those companies, although "public", virtually

Investment incentives for manufacturing

From Mr A.J. Gooding. Sir, I share Roy Grantham's concern (Letters, January 13) about the need to encourage the manufacturing industry to

the manufacturing industry to invest. I also agree with him that investment (capital) allowances should be changed in order to provide industry with the incentive to do so.

However, I totally disagree with the particular changes he proposes. They would, I feel, lead to interminable arguments with the inland Revenue ments with the Inland Revenue about apportionment of expen-diture so as to determine how much would qualify for prefer-ential treatment. Furthermore,

an industrialist would now know beforehand what he was entitled to claim — and would not therefore be in a position to appraise the proposed

This contrasts with the UK

investment properly.

In short, Roy Grantham's proposals do not satisfy the two crucial tests which apply to these matters — simplicity

and certainty.

In my view a much more effective incentive would be to re-introduce 100 per cent first-year allowances (free depreciation) or substantially increase the present 25 per cent writing-down allowances, for plant and machinery, for a pre-deter-

mined limited period of say

stantial but temporary increase in capital allowance.
A.J. Gooding
Gooding Group Ltd,
27 Park Place,
Cardiff.

two years. With 1992 and the Single Market fast approaching, there is no time to be lost in ensur-ing that UK industry becomes mnch more competitive. Increased investment is essential. The squeeze on profits because of high interest rates and a strong pound makes this difficult. Hence my suggestion of some relief through a sub-

there is a real possibility that UK companies will be at a seri-ous disadvantage in making the sort of rationalisation or major takeover bids which

may be needed to establish effective positions within the Single European Market.

If we follow this logic to its natural conclusion, this could lead to a material reduction in the transfer of covered major.

the number of quoted major UK companies, thus creating a major policy dilemma for UK institutional investors.

Ian N. Tegner,

The Hundred Group,

# Calling for a comprehensive food policy

Sir, I read with interest, but also with some dismay, Bridget. Bloom's article (January 25) on the storm now raging around Mr John MacGregor and his Ministry of Agriculture, Fisheries and Food. In particular, I was concerned by the various proposals apparently being canvassed for the overhaul of ministerial responsibilities. None of these seem likely to bring about a comprehensive and coherent Government pol-

whole, we need, on the part of contention that, with a prop-Government, policies which erly co-ordinated food policy, encompass all the links in the

food chain, from agriculture to the factories and shops and, indeed, right through to the dietary and health concerns of the consumer. Instead, we have at present a series of uncon-nected, even conflicting, poli-cies in agriculture, industry, education, science, health and the environment. The inter-de-partmental chaos over the sal-monella issue is but the tip of a very large iceberg.

ministerial responsibilities.
Nome of these seem likely to bring about a comprehensive and coherent Government policy on food, which is the pressing need.

As chief executive of the Cooperative Wholesale Society, I am fully aware of the many challenges facing all sectors of the food industry and of the need to balance all these various interests. If we are to surmount these challenges in a manner which meets the best interests of the nation as a whole, we need, on the part of

more effective research, possi-bly even at lower overall cost than at present. I do not suggest that the development of such a policy is a simple task. And I do under-

stand Miss Bloom's final point about government reluctance to tinker with administrative structures. Hence I do not sub-scribe to most of the recipes (many of them half-baked) currently being put forward. But I do believe that there is a case for a wide-ranging inter-departmental review of all the issues which impinge

on the nation's food and health and I urge government to treat the matter as one of its top priorities. This should result in a strengthened Ministry of Agriculture, Fisheries and Food, with a wider remit than at present – not in its dismemberment. Dennis Landau,

Co-operative Wholesale Society, PO Box 53, New Century House,

### A loyal relationship

From Mr John Grout
Sir, The editorial "Loyalties
in banking" (January 18) raises
mora questions than it

answers.

What, for example, do you mean by "traditional banking relationships" and "transaction-based banking"? Are you implying that a company should go out of its way to use a bank (or a specific bank) when it is unnecessary (or

uncompetitive)?

A large company operating in many parts of the world needs a number of banks. This is true because not all banks have branches in all centres and because not all branches

offer every service.
Foreign companies naturally
use the larger banks in each country. Inevitably, as those banks set up operations in major centres abroad they look

major centres abroad they look to existing clients with relationships elsewhere in order to establish a local client base. Being considered is, of course, part of that relationship.

Tha company may believe strongly in "relationship banking". It may confine its briefing of banks about confidential developments in its affairs and its solicitations for quotations for business to its list of "relationship banks" which it keeps as small as is practical. However, receiving quotations from as small as is practical. How-ever, receiving quotations from those banks, it surely must accept the quotations offering the most appropriate systems/ lowest error rates/best confi-dentiality or expertise/least conflict of interest/lowest price according to the service

songht.

The banks which are quoting know that the business will go to the "best" quote. Knowing their client well, the banks should be well placed to quote. They also know that the business will only go to a bank outside the relationship group on grounds of competence and not (except in the most extreme case) on cost grounds not (except in the most extreme case) on cost grounds or before the relationship group has been tested. That is the loyalty the company owes the bank. The absence of such loyalty defines a transaction-orientated company.

Unless a banking group is prepared to reciprocate that

prepared to reciprocate that loyalty it should not seek to be included on a company's list of relationship banks John Grout,

1-4 Connaught Place.

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# **FINANCIAL TIMES**

Friday January 27 1989



# Moscow launches Chernobyl clean-up plan

By Quentin Peel in Moscow

THE RULING Soviet Polithuro has unexpectedly announced a new campaign to cope with the consequences of the Chernobyl nuclear disaster, nearly three years after the event, suggest-ing that additional evidence of mg that additional evidence of radiation may have been uncovered by Soviet scientists.

The action is to be concentrated in the republic of Byelorussia, due north of the Chernobyl plant, which took the brunt of the nuclear fallout after the action to April 1996

after the accident in April 1986. No details of the cost or scope of the new programme have been revealed, but it was

given prominence in the weekly communique of deci-sions by the Polithuro, pub-lished on Wednesday evening. It comes after senior officials in Byelorussia revealed late

last year that a far greater part of the territory had been pol-luted by radio-nuclide fallout than had been originally

Mr Mikhail Kovalev, chairman of the Byelorussian Coon-cil of Ministere, said that almost one fifth of the repub-lic's arable land had been pol-

Mr Vladimir Matyukhin, director of the Byelorussian Radiation Medicine Institute, was also quoted in the Byelorussian newspaper Zvyazda as saying that radiation had cov-ered areas populated by hundreds of thousands of people. He said a nationwide register

of those who had received dan-gerous or potentially danger-ons doses of radioactivity included tens of thousands of

been spent on rehousing people from evacuated areas and rehuilding schools and other public utilities in Byelorussia. with more spent in other

regions.

The latest move is therefore an additional programme, on top of what was foreseen. Apart from responding to new evidence on the extent of the pollution, it is also likely to be a reaction to public anxiety over the consequences of the over the consequences of the accident, which official reassurances have been unable to

The Polithuro resolution bodies, ministries and governthe consequences of the Cher-nobyl accident.

"The necessary funds and material and technical resources will be immediately allocated for the purpose," it

The Chernobyl accident has already cost the Soviet etate budget a staggering Rs8h, and the new programme will come as a particularly heavy blow at a time of state spending cuts. In spite of official denials, the public backlash since Cher-nobyl has halted much of the Soviet nuclear power pro-

Latest reports suggest that a nuclear station in the Crimea may have been abandoned, fol-

names, with one quarter of them being children.

The Polithuro announcement said that Rs900m had already the consequences of the Cher
ment departments . . . to take additional measures for continuing work on eliminating the decisions to halt work on another in Azerbaijan, close down the nuclear station at Yerevan in Armenia, cancel one in Minsk, Byelorussia, and halt the building of a third reactor at Ignalina, in Lithn-

> Another startling report in recent weeks said geologists had discovered the dumping of radioactive nuclear waste in the open air near the ignalina station, already the target of angry protests by Lithuanian environmental groups.
>
> The local radio station said a

group of geologists had discovered radioactive material in underground water and that the station management would

be prosecuted. Stalin's killing fields in Byelorussia, Page 2

# Feeding the hand that bites you

K.K. Sharma reports on the burdens of corruption in India

IRIBHU SINGH barely ekes out a living for himself and a family of eight from six acres he owns in Indri village in the north-west-ern Indian state of Haryana. Yet he could be rich if only he could find enough money to bribe the bevy of petty officials

who stand in his way. Pirihhu's potential wealth lies in the chance of selling one of his acres, the market value of which has soared because it is close to fast-expanding Delhi whose rapidly growing popula-tion is spilling across the bor-ders. He has been offered Rs165,000 (\$10,900) for this acre

 for him a small fortune,
 What has blocked the sale is the elaborate bureaucratic process of making the sale and the number of palms of petty offi-cials that Piribhu must grease to push it through. So great is the burden of filling the grasping hand of rural officialdom that Piribhu despairs of ever selling the one acre.

The recent rows over payoffs to prominent politicians in defence deals has highlighted corruption at high levels including the scandal over the payments made by Bofors, the Swedish armaments manufac-turer, to help secure deals. For people in villages and towns in the country, who are con-stantly required to pay bribes of varying amounts to lesser officials, corruption is so vasive that the scandals can hardly shock them.

Piribhu, for example horrowed Rs800 to bribe the village "patwari", the local land record keeper, to make a plan showing the location of his farm. He found to his horror that, owing to ignorance of legal procedures, the land was

rebuke to the attack hy Mr Nigel Lawson, Britain's Chan-cellor of the Exchequer, on

Wednesday night against pro-

posals for European Commu-

nity economic and monetary

Commission's epokesman,

pointed out in Brussels that EC governments had called for a

study into a step by step prog-

ress towards economic union

at their summit at Hanover,

The study is being under-taken by a committee headed

West Germany, last June.

Mr Claus Ehlermann, the



Workers on a building site at Santa Cruz, India

father. To have the records changed, another official demands Rs5,000 and there is no way Piribhu can find this. Even if he was to raise this by horrowing from the local usurions money-lender it would still be just the start of his problems. He needs more money to bribe the clerk who

seals the stamp paper on which the sale deed is to be recorded. Then come a series of offi-cials whom he must also bribe, led by a petition writer to write the sale deed and followed by two "lambardars" (village leaders) to sign it, an assistant to the "tahsildar" (head official of the subdistrict) to accept the deed for scrutiny, the messen-ger who will then carry this to the tahsildar himself. Piribhu says this is not his

only problem. One of the tahsildar's duties is to find a certain number of married people

be debated again by EC leaders at their next summit at Madrid

Mr Ehlermann dismissed as

"unfounded" Mr Lawson's warnings that the 1992 plan for

a free EC single market could become tainted with hureau-

cracy and protectionism. "This

is to render a poor service to the European Community. It is

to enfeeble it," he said. Brus-sels would continue to push as

hard as ever for the creation of

While Mr Lawson's condem-

nation of moves towards eco-

By William Dawkins in Brussels and Peter Norman in London

THE EUROPEAN Commission Commission President, which yesterday delivered a sharp is due to report in April. It will

each week for sterilisation as part of his chores to carry out the national family planning policy. Before he approves the sale, he will ask Piribbu to produce five volunteers for steril-isation, each of whom will

have to be paid various sums. For a person of his limited means, the total amount in bribes is enormous and, not surprisingly, Piribhu has all but abandoned the attempt to make the sale. In any case, would have gone in bribes and so it would not have been worth parting with the land.

The system of pay-offs down the line has been created and is perpetuated by a bureaucracy which thrives on com-plex rules and regulations that must be followed before any

transaction can be made.

The system is kept alive by

provoked anger in Brussels, they prompted a sympathetic echo among many of the EC central banks represented on the 17-strong Delors committee

of EC central bank governors

and outside experts.

The committee will start

serious drafting of its report next month. But it is already

clear that many members are

wary of a rapid move towards monetary union through insti-tutional innovations such as a

Community central bank or

the creation of a common EC

currency in the absence of

artificial shortages of almost every consumer item or service that is controlled by officials, nearly all of whom are insufficiently paid and who therefore supplement their incomes by accepting bribes. Bribes are demanded for giving permits for supply of subsidised milk, cement, steel, huilding materials and a host of other items in short supply. The shortage vanishes when money changes

There is a long queue for get-ting a telephone connection all over India. Yet anyone can get a telephone within a week pro-vided he makes a pay-off. The same is the case with water and electricity connections or any service for which local bodies are responsible. Seats on fully booked aircraft and trains are always available if a bribe is added. The list is almost unending and the bribes are fixed by people who have a rected introver in keep.

have a vested interest in keeping artificial sbortages going.

There is also a premium on jobs which are worth a great deal in terms of the bribes they attract and this further parmet. attract and this further perpet-nates the system. Police sta-tions are "sold" to officers for prices that depend on how much the incumbent would earn in bribes. In turn, the sta-tion bouse officer sells "beats" to his juniors who thrive on pay-offs from shopkeepers and

The recent liberalisation of regulations and procedures for the granting of industrial and import licences, common sources of corruption all levels, has not eliminated the pay-offs The number of outstretched hands in the public sector may have been reduced. But the amounts demanded for individual bribes have risen.

tial president of the West Ger-

man Bundesbank, has warned

repeatedly that the creation of

a central bank and common currency should "crown" a

long process of EC economic

and monetary integration.
Other central bankers, nota-

bly Mr Jacques de Larosière, Governor of the Bank of France, bave urged further

development of the European

Monetary System through a limited pooling of central bank

reserves and more formalised

discussion of national mone-

tary policies among EC central

forward to monetary union.

iks as an evolutionary way

By George Graham

MR Pierre Bérégovoy, the French Finance Minister, yesterday ordered the stock exchange regulatory authority, the Commission des Operations de Bourse, to inves-tigate possible insider trading in the shares of Société Génér-ale, the privatised bank.

He also said he would call for a criminal investigation into possible insider trading in the shares of Triangle Indus-tries of the US before its purchase by Pechiney, the French state-owned aluminium group, even if the commission did not

The Pechiney allegations, which led to the resignation last week of Mr Beregovoy's principal adviser, Mr Alain Boublil, have already created a political storm, in part because of claims that one of President François Mitterrand's close friends was implicated.

The Société Générale issue however, could embarrass the Government further because of controversy over the raid on the company's shares last autumn led by Mr Georges banker. The opposition has accused Mr Bérégovoy of using Mr Pebereau to attempt a back-door renationalisation of

the bank Mr Bérégovoy yesterday defended himself against these attacks in the finance commit-tee of the National Assembly.

Meanwhile, Mr Samir Tra-boulsi, a Lehanese business-man who was asked in a televi-

m Mr Adnan Khashoggi

A number of questions have already been asked in France over how Mr Pebereau accu-mulated a 9.16 per cent stake in Société Générale – since increased to slightly over 10 per cent - without creating major shockwaves in the stock-

# Bérégovoy orders insider trading inquiry

He said he hoped the commission would publish its report on the Pechiney case, due to be completed by January 31.

The minister also promised to give the commission the power to conduct criminal investigations itself, as well as the right to carry out prosecutions and to impose fines.

These new powers would go far beyond the recommenda-tions of Mr Yves Le Portz, the former commission chairman who called in a report completed yesterday for a system more closely resembling the UK'e self-regulatory organisa-

sion interview yesterday to comment on reports that he huilt np a large stake in Société Générale last summer, Société Générale last summer, said he had only done so on the advice of his stockbroker. He said he regretted that he had sold them at FFr430 (\$69) each, given that the price later reached FFr615.

The Lebanese financier, a former aide to the Saudi businessman Mr Advan Khashoga

and a friend of Mr Boublil's, acted as adviser to Mr Nelson Peltz and Mr Peter May, the former owners of Triangle, over the sale of the company to Pechiney.

### greater integration of tax and budgetary policies. Mr Karl-Otto Pöhl, influenby Mr Jacques Delors, the nomic and monetary union Rail tunnels planned to ease London congestion

Brussels rebukes Lawson over EC plans

Continued from Page 1

Rill in the House of Commons in November, providing agreement on funding can be

The Government wants most of the cost to be met by passen-gers, through fare increases, and property owners, who would benefit from develop-

ment gain.

Public funds would be made available to top up private secavailable to top up private sector contributions and fare income only in proportion to spin-off benefits such as easing Union of Railwaymen, said Mr

road congestion. Nn private sector contributions have yet been offered.

The new lines are unlikely to open before 1997, even if agreement on financing can be

reached quickly.
Mr John Prescott, opposition Transport Secretary, said Mr Channon had lost a fight with the Treasury for public fund-

the solution to London's transport problems presented by the

report. Sir Robert Reid, British Rail chairman, said the report was "a good basis on which to build the next stage of detailed The financing issue "will

need to be resolved quickly so that we can make progress in laying down these important additions to the capital's transport infrastructure," he said.

The report says the £1.5hr improvement programma should increase station capac-ity on the Underground, pay for longer trains on BR's over-land commuter services, and increase the number of trains through better signalling. However, Mr Channon con-ceded that the programme included \$400m of capital

investment already included in the forward spending pro-grammes published by BR and the Underground.

# End of an era as Milken is sacked

unusual, almost spooky, pas-sion for control of the people he deals with. In his heyday in the early 1980s, he could indulge both urges.

Mr Milken had discovered

that there was a growing appe-tite among investors for much riskier corporate securities than Wali Street's blue chip firms were underwriting. This was a revolutionary step because it offered small or new companies a whole new source of capital. In the early 1980s, he set off a boom in corporate takeovers by popularising the use of these junk bonds in hostile hids, leveraged buy-onts and other corporate reorgani-

As early as 1983, SEC and Justice Department investiga-tors suspected that Mr Milken was playing both sides of the corporate street. The burden of their case is that he used his privileged knowledge of corporate transactions as a bond underwriter to profit the firm's trading activities. And, the charges say, he abused his power to bully and defraud US

The big question is this: will Mr Milken fight or settle? People who know him say that he believes he has done nothing wrong but he could still settle. "The guy's a dealmaker, isn't he?" said a colleague. But the SEC and the federal prosecutors are unlikely to offer much of a deal unless he can implicate a more important figure, as Boesky implicated him. It is a unfortunate tribute to Mr Milken's power that nobody can think of a bigger fish for the prosecution to land than

# A new brand of confusion

The official position on the brand valuation debate is becoming faintly absurd. Yes terday morning saw the Accounting Standards Commit-Accounting Standards Commit-tee strongly discouraging com-panies from valuing intangi-hies on their halance sheets before a methodology has been agreed, and simultaneously hinting that that such agree-ment might prove impossible. The afternoon asw the Stock Exchange announcing that Exchange announcing that intangibles can be counted for the purpose of classifying transactions, but only if they are expressly on the balance sheet. Meanwhile, Lonrho banged £117m on to its balance sheet for the Observer and other newspapers, and IBC added £15m for its stock market tipsheets, with another £12m to come for conference

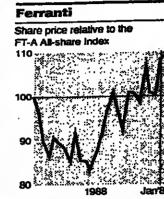
mailing lists.

As the ASC points out, it can do nothing to stop all this until the whole rigmarole of consultation has been gone through, and that could take years. Its chief sanction at the moment lies in the common-sense observation that hrands, and other intangibles, must be assumed to have a limited life unless proved otherwise. Companies therefore risk paying a future price in the form of USfuture price in the form of US-style mandatory depreciation. But then, if it takes two or three years to produce an accounting standard, the nim-bler class of company might find it worthwhile to pump up its balance sheet in the mean-time and reverse its policy time and reverse its policy

Meanwhile, the ASC is in the awkward position of defending the publication of brand information in principle, and deploring it in practice. Since many companies are plainly going to go on valuing brands regardless, the best hope is that they succeed in hammer-ing out an acceptable method by the time the accountants catch up with them.

Telepoint

If the DTI really wants to be known as the Department of Enterprise it should have been more adventurous in awarding the licences for Telepoint yesterday. It could hardly have the lucky winners are all members of the great and the good, and not particularly renowned for launching mass market products. Barclays, which had an unhappy flirtation with Mercury in its early days, is there, and the presence of British Telecom, even as a minor-ity shareholder, must raise questions about the Govern-



ment's commitment to improving the competitive climate Although forecasting the growth of mobile communica-

growth of mobile communica-tions is like gambling on the Grand National, Telepoint does not look like providing its sponsors with anywhere near the same returns as Racal Tele-com is enjoying with cellular radio. The capital investment is much smaller there are four is much smaller, there are four competitors rather than two, and there is an increasing chance that more competitors will begin to emerge before Telepoint reaches maturity. Meanwhile, the Govern-ment'e plans to license at least

two new mobile telecoms oper-ators by the early 1990s has considerable implications not only for the new Telepoint licensees but for everyone else from BT and Mercury to Racal Telecom. In the short term, the cellular phone operators have been helped by the increase in the number of channels; this should stem the criticism about service quality which was beginning to damage growth. However, it is clear that the Government sees the new operators competing with both cellular and the fixed network of 20m phones, and on this basis BT on 10 times earnings looks a safer bet than Racal Telecom on 43 times.

Lonrho

No one knows better than Tiny Rowland how to keep the faithful happy, and yesterday's lovely mixture of a scrip issue, a 250 per cent increase in the first interim dividend and a man himself seemed worth 11p on a bid-inflated share price. Whether the results justify such a package is another mat-ter. The 12 per cent increase in profits is acceptable in a workaday sort of way, but looks a little flat in the context of the commentary. Moreover, a third of it was achieved simply by getting rid of Today, and much

interest cover in year one would be only 2.1 times, and despite an extra £15m added to the balance sheet for the value of tipsheet titles, net worth of tipsheet titles, net worth comes out at a negative sam. But even in the current year, buying in shares on a pie of 11.1 at a gross cost of 13.5 per cent leaves earnings per share marginally ahead. In the meantime, shareholders cash in part of their holding and beam the of their holding and keep the same level of stake in a more highly geared venture. There is boundless scope for it all to go wrong, but that is what lever-

age is about. As ever, much of that is guesswork: yesterday's typically scant information was spiced with a provocative refusal from Tiny to bore his investors with the numbers. Instead, his letter to sharehold ers reads like a defence docu-ment, and as such is surely redundant, not just because of the weak state of Mr Bond's finances. Now that investors are likely to get a return of 65 per cent this year on their shares, they may think even more carefully before selling.

British Steel The selection by British Steel of the distressed Köckner & Co as a potential take-over target shows it is prepared to take on controversy in search of a good deal. From a commercial point of view, Klöckner looks appealing both for its steel stockholding hustness, and because of its stake In Klöckner-Werke, with which British Steel has an important production arrangement. The German eteel company natu-rally does not see it that way, and is already cutting np rough at the thought of a for-eign competitor buying the stockholding company. Mean-while, British Steel is showing while, British Steel is showing great courage in cutting its takeover teeth with the all-powerful Deutsche Bank, especially if the latter is planning to do as well from selling Klöckner & Co as it did from rescuing it last year.

As a matter of principle, the share buy-back proposed by International Business Combetter response to a bombedout share price than the conventional buy-out. Some of the sums look a little hairy; on a full take-up of the tender offer of the rest by exceptional strength in car distribution. The 18 per cent rise in earnings owed much to lower tax rates. which may prove hard to sus-

# DISCOVERTHE STRATEGIC **OPPORTUNITIES** IN EUROPE'S CAPITAL **MARKETS**

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**WORLD WEATHER** 

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### INSIDE

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Stritish Steel

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Mr. Jill

Markets

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### Canada registers new flight plan

Canadian air travellers are about to come down to earth with a bump. A deal between PWA Corporation and Wardair, creating an organisation to rival Air Canada, is expected to end 18 months of cut-throat competition and turnbling domestic air fares. It was the sheer depth of the discounting which put pald to Wardair's audacious plans to lure passengers away from the bigger airlines. Though the strategy was working, it was driving the com-pany into the red. Page 23

### French bonds fanfare falls flat

France's widely-touted effort to broaden the market for its government bonds, by packaging them into American depositary receipts to allow them to be traded on the New York Stock Exchange, has had a poor reception. According to data from the NYSE, the two separate issues of ADRs — the first ever introduced by a foreign government for its own bonds — have had only one or two trades apiece since the securities were launched with much fanfare in September 1988, Page 25

### Screen stars a perfect match



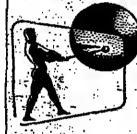
Copenhagen's bond and futures and options markets will be brought together on a single screen, as Denmark takes another step towards a full alectronic market. This could be the first time the markets have been brought together in this way and "creates fantastic oppor-tunities for dealers,"

according to Type Vorstrup Rasmussen, director of the Guarantee Fund, which aupervises the futures and options market. Page 24

### Finnish market woken up by restless Swedes

The Finnish market has been shaken out of its recent passivity by the liberalisation of foreign investment in Sweden. Swedish investors are flocking to Helsinki, propelling stock prices and share turnover significantly higher, Page 42

### Profitable life of leisure



Rank Organisation, the UK leisure and ntertainment group, announced a 22 per cent rise in pre-tax profits to £255.1m for the year to October 31. Rank said that it intended to expand its leisure related business, particularly in the US. Page 26

# **Munket Statistics**

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152 + 812 Slough Exhaus
550 + 25 2 Loignin
457 + 25 Publis
285 + 9
1106 + 10 Racel Talecom
200 + 11 Hardshaugh

SIEMENS, the acquisitive West German electrical group, saw its operating profits alump by DM400m (\$217m) to less than

Net profit for the group, released at the end of last year along with the dividend (DM11), and turnover (DM59.3bn), rose to DM1.4bn, up from DM1.3bn, but return on sales at 2.3 per cent was the lowest since 1983-84. Cash flow was up from DM5.5bn to DM6.8bn.

Why Bob

Scholey

is eyeing

Haig Simonian

British Steel's

T A STEELMAKERS' lunch last month in Lon-

don's Park Lane, Sir Rob-

ert Scholey, the gruff chairman of British Steel, was asked whether he would like to buy a

West German steel plant now his company had been privatised after 20 years in the public sec-

Robert said, before breaking into a characteristic staccato burst of laughter. "Have you got any suggestions which one?"

Yasterday British Steel acknowledged it was having talks

with Deutsche Bank on the possi-ble purchase of at least part of

"I don't know about that," Sir

and Nick

Garnett on

deal talks

Germany

DM1.8bn (DM1.6bn) and a lower tax bill at DM1.08bn (DM1.32bn). company'a famous cash mountain - of which ebont DM10bn represents pension liabilities - rose from little more than DM20bn to DM24bn. Mr Karl-Her-

The first quarter of the current year saw a 19 per cent jump in orders, but the company warns that the figure is distorted by including Bendix Electronics of the US for the first time and by a concentration of telecommunica-

up 60 per cent. Net income was up 6 per cent on the previous year's first quarter.

be flat to the current year, but the company hoped to be spend-ing up to DM5bn on acquisitions, a further DM4.4bn on capital investment and DM6.8bn on esearch and development. Mr Kaske stressed that with 75

mr Kaste stressed that with 15 per cent of sales still in Europe it was imperative to press ahead with the US expansion end predicted that US sales would rise to more than \$5bn in the early 1900s. The learners with is for 1990s. The long-term aim is for the US business to be a similar size to the European business. This was important, Mr Kaske said, not just to be close to such a huge market, but because of the increase in local content rules in the US public sector. New orders in the US businesses rose 26 per cent last year to DM5.9bn. This represents nearly 20 per cent of the company's business outside

Germany. Siemens' joint venture with

IBM involving Rolm telecommunications will continue to lose money for at least two years. The company has also had difficulties with some of its semi-conductor businesses in California. But Siemens Medical Systems and Siemens Energy and Antomation are both making e healthy, but undisclosed, profit.

On European acquisitions, Mr

On European acquisitions, Mr Kaske explained Siemens' interest in deals in the UK and France. He said the two countries account for 40 per cent of the European Community electrical and electronics market, but only 5 per cent of Siemens' EC busi-ness, including Germany, Europe as a whole accounts for half of Siemens' non-German business. Mr Kaske said he had not been disappointed to hear that GEC, the UK electronics group with whom Siemens is bidding for Plessey, had recently announced

joint ventures with CGE of France and General Electric of the US in sectors where Siemens is also seeking link-ups. "Everyone is talking to everyone else these days," he said.

He admitted that Siemens' recent spate of takeover activity was likely to depress earnings in the short run. But the only one of the seven divisions which is cur-

the seven divisions which is cur-rently making a loss is compo-nents and semi-conductors, he

Those two divisions have now been split as part of a major reor-ganisation in which the seven operating groups are being redi-

vided into 15.

The tasks of three of the corporate divisions – business administration, research and development and personnel – are also being scaled back. The final stage of the reograpication will be of the reorganisation will be announced in July.

Mr Paul Desmarais's Power

Last Jnne, the Kuwaitis bought 10.5m Bathurst shares at

The merger is subject to review by Canadian regulatory anthorities, although Stone "does not anticipate" that obsta-cles will be put in its way.

regarding the transaction. No special policies apply to foreign investment in the domestic forest products industry, the

mixed success with attempts to diversify. The company, held 40 per cent by Power, yesterday reported record earnings of C\$239.6m for 1988on revenues of

Among its offshore assets, Bathurst has a newsprint mill near Liverpool and West German paperboard and carton-making facilities. The company has signed agreements to build pulp or paper mills in both China and the Soviet Union.

# Siemens hit by DM400m drop in profits Stone to

By David Goodhart in Munich

DM600m in 1987-88.

The company said the sharp decline was caused by an extraordinary depreciation of about DM600m arising from its US businesses.

Those businesses saw turnover climb to DM5.7bn last year and losses were cut from DM449m to

Net income was up, despite the drop in operating profits, because of higher interest incoma at

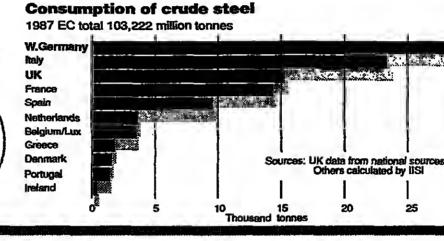
mann Baumann, finance director, said he did not expect to be raising new capital in the near

Sales were up 9 per cent, how-ever, with semi-conductor sales

Mr Karlheinz Kaske, chief executive, said group sales would

Klockner & Co

Total turnover DM 9.9bn



18 per cent stake in Klöckner-Werke, the steel-making, plastics and machinery group.

A deal might therefore help

British Steel tackle two of its big-gest headaches: first, it is one of the world's most efficient steelmakers but its position in the West German steel market, the biggest in Europe, is feeble.

ber - without making acquisitions.

the *ance-mighty*, but now hum-bled, Klöckner & Co. If these bear fruit, the British company would still not have a German steel-making operation, but a stake in Klöckner, which Deutsche Bank dramatically rescued last year after disastrous oil trading losses. This would, nevertheless, give the British company a much larger role in the West

Klöckner's interests include

Second, it will be hard for it to sustain long-term growth in its cyclical industry – and thus sat-isfy its new shareholders follow-ing its \$2.5bn flotation in Decem-

But it still seems a consider-

Its statement yesterday pointed out that the initiative had come from Deutsche Bank, seeking long-term investors in Klöckner, which had approached both it and other potential investors. These are beliaved to include Fiat, the Italian motor manufacturer.

snbstantial steel stockholding interests and, at the moment, an

tion to any deal involving British Steel. This would be spear-headed by Mr Herbert Gienow, chief executive of Klöckner-Werke, who yesterday broke the news of the talks in an evident attempt to

scupper them.

He said he was opposed to any sale to another steel producer and pointed out that Klöckner-Werke marketed much of its steel output through Klöckner & Co. A takeover by a competitor would canse "extraordinary disruption" to this link, he said. Klöckner & Co also owns 40 per cent of Klöckner-Humboldt-

Deutz, the machinery and engine able way from a West German deal. Indeed, it is not clear just how committed British Steel is to the uegotiations, or precisely what it might want to get out of them. with which the group was unfa-

Whatever British Steel's intentions, it is certainly keen for a larger role in the German steel market. The company may be the world's fourth-biggest steelma-ker, producing 14.7m tonnes last year, and be at the top of the profit-making league, but it has a skimpy two per cent share of the Continental European market.

West Germany accounted for 29m tonnes of the 103m tonnes of steel consumed in the European Community in 1987, twice the size of the UK market. British Steel has contracts with

Opel, BMW and Volkswagen, but these are small. Nor are its Ger-man stockholding interests large. It has three operations, two of which, Fischer Profil and Eisen Werner, it has purchased in the past two years. West German analysts were suprised yesterday that Klockner & Co might be up

for sale quite so soon.

When the group amounced its troubles in early October, Deutsche Bank — which pumped in DM400m (\$222m) of new capital emphasised it did not see itself as a long-term owner. But many observers suggested a recovery period of a few years, pointing to the example of the former Flick industrial concern, which the bank bought from its family own-ers and, after a lag, subsequently floated at great profit on the

stock exchange. Yesterday's news suggests that many underestimated the basic soundness of Klöckner & Co's business. The group's domestic

7 per cent to DM6.6bn in the first nine months of last year.

Pre-tax profits, excluding oil trading, more than doubled, it said, although no figures were released. In 1987, uet domestic group profits fell by 69 per cent to DM8m against DM25.6m the

previous year.

The bank has been actively guiding Klöckner & Co's affairs since October with new management, not least to the company's troubled oil trading desk. Mean-while, Mr Ulrich Cartellieri, a managing board member of the bank, is now chairman of Klöck-ner & Co's supervisory board.

-British Steel has had contacts with Deutsche Bank for many years. But the current talks may have got moving in December, when the bank hosted the company's presentation of its flota-tion in Frankfurt.

But the hurdles to any deal

remain numarous. Deutsche Bank has run into stiff domestic opposition following the Klöckner & Co rescue, not least from dis-gruntled holders of the compa-ny's profit participation certifiny's profit participation certains, ber 30. At June 30, the comparates. These are now valueless, although a future settlement has US\$940.1m.

# acquire **Bathurst** for \$2.2bn

By David Owen in Toronto and Robert Gibbens in Montraal

STONE Container, Chicago-based containarboard and kraft paper producer, is to acquire Consolidated-Bathurst,

acquire Consolidated-Bathurst, the Canadian pulp, paper and packaging group, in a deal valued at C\$2.6bn (US\$2.2bn).

The move, which will create an organisation with annual sales of more than C\$7bn, appears consistent with Stone's aim of becoming e multinational pulp and paper producer. The merged entity's Canadian operations will continue to be based in Montreal.

Under the terms of the pro-

Under the terms of the proposed transaction, Stone is to offer C\$25 a share for all Bathurst common and preferred stock, representing a 50-per cent premium over the recent market

Corporation, Bonverie Investments and the Knwait Invest-ment Office (KIO), which have combined holdings of 65 per cent of shares ontstanding, have agreed to tender their stock to the Stone offer. The bid is conditional on not less than 67 per cent of outstanding shares being

According to a spokesman for Investment Canada, the agency has "no particular concerns"

spokesman added.
In recent years, Power has successfully steered Bathurst back towards its core pulp and paper activities, after experiencing

Stone has benefited from buoyant forest products markets, reporting record profits of C\$345m on sales of C\$4.4bn in the four quarters ended September 30. At June 30, the company's long term debt tetalla-

# Lonrho in controversy over boost to balance sheet

LONRHO, the London-based multinational headed by Mr Tiny Rowland, resterday stepped into fresh controversy as it released. its profit figures for 1988, taking the contentions step of assigning a value in its accounts to its newspaper titles - which include The Observer and the Glasgow

whole was substantially more than this, stoking up a debate over the break-up value of the company which started when Mr Alan Bond, the Australian entrepreneur, built up a 21 per cent stake in the group last year. At the same time, the company yesterday reported pre-tax profits up 12 per cent to £225m, about £5m above analysts' projections. The shares rose 11p to close at

Lonrho's balance sheet step comes amid a crisis debate in the accountancy profession over the balance sheet only when acquiring a newspaper.

The practice has the advantage that the asset valua never

way in which companies value intangible assets such as brands. Only yesterday, the Accounting Standards Committee put out a provisional statement, discouraging companies from incorporating revaluations of intangible assets in their balance

The Observer and the Glasgow sheets at present.

Herald.

The move has boosted its balance sheet by £117m, (\$207m)just under 10 per cent of shareholders funds at the end of the financial year.

Introduced assets in their balance sheets at present.

Mr Paul Spicer, a Lonrho director, said that Standard Chartered hank had conducted the revaluation "in lina with shareholders funds at the end of the financial year. shareholders' funds at the end of the financial year.

Lonhro said that the value of its newspaper business as a on the basis of several factors such as turnover and readership.

such as turnover and readership.
This policy of revaluation from
a standing start has been
followed by several international
publishing groups, including
News International, and by
United Newspapers, which in
1984 set a value of £133m on a
number of its titles.
But other UK publishing
companies have so far included
the value of a masthead in the
balance sheet only whan
acquiring a newspaper.

dwindles. As it is deemed that the title has an infinite life, there is no need to depreciate and there is no impact on the profit and loss account.

As usual, Lonrho's results gave no datailed oparational breakdown et this stage. However, investors were given to understand that profits from mining and hotels were down slightly, whereas there had been growth across all the other businesses. Turnover rose by 17 per cent to £4,22bn.

The company surprised tha City with a first interim dividend of 3p a share (against 1p a year ago), on top of the final dividend of 8p, and a 1-for-6 bonus issue. Earnings per share rose by 16 per cent to 30p, reflecting a lower

iax charge. Mr Rowland, who has been battling in the courts in recent weeks against the Government and its handling of the House of Fraser takeover, sounded a particularly optimistic note for the current year's trading. "The outlook is astonishingly good,"

# IBC offers to buy in shares

INTERNATIONAL Business Communications (Holdings), a UK newsletter publisher and conference organiser, yesterday broke new ground in the London market by offering to buy in 40 per cent of its shares at a fixed

The proposal is a novel twist to the recent spate of proposed and successful efforts by UK manage-ments to take their companies

It was intended, IBC said, to enhance earnings growth by replacing equity with debt.

Unlike management buy-outs, however, IBC suggests that its scheme will allow all sharehold-executive, said the proposal

Subject to the 40 per cent limit, IBC said it would pay 150p for each share tendered to it by February 10. A fully subscribed offer would require IBC to pay some £37.2m. IBC shares closed 15p higher at more than double the £6.36m A fully subscribed offer would

scheme will allow all sharehold-ers to share equally in future would allow shareholders to realgrowth, as the company will ise part of their holdings, while retain its listing. in the company. "This allows them to sell some and keep some, which many will probably do,"

reported in 1987. IBC's offer is the first on-mar- Lex, Page 18; Background, Page ket tender at a fixed price to be 28

£100 million available to invest in growing companies



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### INTERNATIONAL COMPANIES AND FINANCE

# **Operating** expenses hold back **Delta Air**

By Roderick Oram

DELTA AIR LINES, the third largest domestic US carrier. has reported lower secondincreased operating expenses offsetting positive factors such as its takeover of Western Air

Lines.

Net profits for the three months ended December 31 slipped to \$85.2m or \$1.73 a share from \$88.3m or \$1.82 a year earlier. Revenues rose by 9.3 per cent to \$1.86bn from \$1.7bn.

Operating expenses increased 11.5 per cent, reflecting in part a 14 per cent increase in salaries and other employment costs because of a 9 per cent advance in the average number of employees working during the quarter. Fuel costs fell by \$35m to

Revenue passenger miles rose 11 per cent to 12.5bn. The load factor increased to 56.91 per cent from 54.32 per cent a vear earlier.

Passenger yield per mile fell by 1 per cent, pushing Delta's break-even load factor to 52.96 per cent, from 49.42 per cent.

### Campbell Soup advertisements face complaint

THE US Federal Trade Commission has issued an administrative complaint charging Campbell Soup, the US foods group, with making deceptive and unsubstantiated claims in advertisements for

its soups, Reuter reports. The complaint said the Campbell advertisements linked the low fat, low cholesterol content of its soups with a reduced risk from some forms of heart disease. How-ever, they failed to disclose the soups had a high sodium con-tent, which could increase the risk of heart disea

The company's failure to make this disclosure was deceptive in light of the representations made, the FTC said. Campbell said it would appeal against the complaint. We stand behind our advertis-

ing," an official said.

# **AT&T** suffers first annual loss after \$6.7bn writeoff

By Roderick Oram in New York

long-distance telecommunica-tions company, has reported the first annual loss in its 103year history after taking a \$6.7bn pre-tax writeoff for out-

Without the previously announced charge, reflecting the group's accelerated conver-sion to digital fibre optic transmission systems offering lower costs, better quality and more services, AT&T showed further moderate growth in the face of increasing competition. Its fourth-quarter net loss

AMERICAN Telephone and was \$3.34bm or \$3.11 a share, Telegraph, the dominant US against a net profit of \$498m or 46 cents a year earlier. The full-year loss was \$1.67bn or \$1.55, against a profit of \$2.04bn

The \$6.7bn pre-tax charge reduced fourth-quarter net income by \$3.94bn. Without it, AT&T would have reported net profits of \$596m or 55 cents and \$2.27bn or \$2.11 in the quarter and year respectively.

Revenues rose by 6.4 per cent in the quarter to \$9.21bn from \$8.65bn a year earlier and

for the year by 4.3 per cent to \$35.21bn from \$33.77bn.

Administrative, general and selling costs rose faster than revenues at a rate of 8.8 per cent for the full year. AT&T said higher costs stemmed largely from sales and sales support activities, and spend-ing on enhanced billing, customer account service and inquiry systems. The company expects cost to grow more slowly this year.

Service revenues rose 5.1 per cent during the year on the back of a 5 per cent growth in long-distance calling volumes, led by international and resi-

# Sharp gains for media groups

TIME INC and MCA, two big US media groups, reported gains in the fourth quarter, with particularly good results from filmed entertainment, cable and book publishing

Time made a net profit of \$58m or \$1.01 a share in the fourth quarter, compared with \$52m or 88 cents a year ago. In the full year, it earned \$289m or \$5.01, compared with \$250m or \$4.18. The year's revenues increased by 7 per cent to

Results for the quarter included a pre-tax charge of \$35m to reduce the carrying cost of satellite investment, while the year-ago figure included several gains totalling 8 cents a share after tax. Time said that excluding the

non-recurring items, its fullyear earnings per share would have been up 36 per cent.

Annual operating profits in the magazine division grew by

1.4 per cent to \$287m. Book publishing profits increased by 18 per cent to \$104m while income from TV programmes, mainly from the Home Box Office subsidiary, rose 21 per cent to \$151m, excluding the negative effects of the \$35m

satellite charge.
Income from cable television increased by 17 per cent to \$176m, including the effects of a one-time charge in the third

MCA increased its quarterly net income almost threefold to \$75.7m or \$1.04, compared with \$21.8m or 30 cents a year ago. Its annual profits grew to \$164.9m or \$2.26 a share, compared with \$137.3m or \$1.82. Full-year revenues grew 17 per

The filmed entertainment group, including the Universal film business, reported a 45 per cent advance in annual operating profits to \$236.1m. Income from music entercent to \$60.5m and book publishing showed a 28 per cent gain to \$23.3m. Profits from broadcasting and cable jumped to \$12.9m from \$3.7m, partly as a result of an accounting change involving USA Net-work, a 50 per cent-owned asso-

of the Wall Street Journal, saw net income in the fourth quar-ter fall to \$43m or 43 cents from \$50.3m or 52 cents on revenne of \$413m against \$417.2m. The year net came out at \$228.2m or \$2.35, up on the pre-

Dow Jones & Co, publisher

vious year's \$203m or \$2.1 Revenue rose \$1.5bm from \$1.5bm.
Earnings last year included after-tax gains of \$68m, largely from the sale of the Richard D. Irwin publishing unit. In the first quarter of 1987, the company recorded a non-recurring after-tax gain of \$29.4m. Excluding these transac-

# tions, the year's earnings were \$160.1m or \$1.65, compared

# **Bid speculation boosts Champion stock**

By Anatole Kaletsky

SHARES IN Champion Spark Ping rose yesterday following speculation that a Japanese or European company may top Dana Corporation's \$17.50 a share bid for the Ohio-based motor components manufacturer. Champion's shares rose 50 cents to \$18% in early trading on Wall Street.
The cash and securities offer from Dana, another Ohio-based motor components manufac-

turer, is worth about \$605m. There had been considerable speculation about Champion's future in recent weeks, follow-ing reports of disagreements

among the Stranahan family, descendants of the company's founder, who control about 35 per cent of the common stock. Wednesday's announcement followed a meeting last week of Chinook Partners, an investment partnership formed by the Stranahans.

# We take pleasure in announcing that the following individuals, located in Europe, have been elected Managing Directors Equity Division Fixed Income Division Conrad R. Flunser Mario I. Francescotti David P. Smith Investment Banking Division Miquel J. Caparros Amir Eilon John J. Studzinski Morgan Stanley Asset Management Foreign Exchange David C. Sumners Stephen C. Butt

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By: The Chase Manhattan Bank, N.A. London, Agent Bank January 27, 1989

# O CHASE

# Decline in Activase sales hits Genentech

By James Buchan in New York

GENENTECH, the world's leading specialised biotechnology company, recorded a loss of \$15.4m in the December quarter because of disappointing sales of Activase, the company's new heart drug.
The result was expected on

Wall Street after the company warned analysts last month that Activase was meeting resistance among hospital buyers. The drug dissolves blood clots that lead to heart attacks.

Genentech, which is based just outside San Francisco, had forecast it would lose between \$14m and \$16.5m. In the final quarter of 1987, when Activase was introduced in the US. US, the company earned \$27.2m or 32 cents a share. Sales in the 1988 quarter fell from \$96.5m to \$89.5m but the main reason for the loss was a

special charge of \$23.3m to cover the cost of replacing Activase unsold at the end of its shelf life. In spite of the sales slowdown, Activase enjoyed a respectable year with revenues of \$151.4m against \$55.8m in

1987. Genentech's other main

drug, a growth hormone called Protopin, increased its sales from \$85.6m to \$111.1m. The two drugs boosted annual revenues from \$230.5m to \$334.8m, but rising costs and the special charge cut earnings from \$43.9m or 50 cents a share to \$23.1m or 24

### **NEWS IN BRIEF**

• TEXACO, the US oil group showed net profits last year of \$1.03bn or \$5.35 a share, against losses of \$4.14bn or \$17.03 in 1987. Revenues were \$35.1bn against \$35.3bn.

Fourth-quarter profits were \$296m or \$1.21 a share, against a loss of \$4.67bm or \$19.24 a year earlier. However, year-ago annua

and quarterly figures included net charges of \$2.05bn related to assets writedowns and \$2.79bn attributable to the nzoil settlement.

 SQUIBB, the US pharmaceu ticals manufacturer, reported a record year, with net income advancing to \$425.5m or \$4.30 a share, from \$358.4m or \$3.42 in 1987. Sales were up at In the fourth quarter, net income rose to \$97.5m or \$1 a share from \$84.6m or 81 cents,

on sales climbing to \$664.8m against \$592.6m. Sales of Capoten, the group's cardiovascular product line, exceeded \$1bn for the first time, and its worldwide sales of pharmacentical products

• TW SERVICES, the US food services company, recorded a jump in net income in the fourth quarter, to \$17.2m or 35 cents a share from \$5.6m or 12

reached \$2.2bn.

cents a share from \$5.0m of 12 cents last time. In the year-ago quarter, however, the company took a \$9.3m charge for the write-down of assets under lease to a third party and for takeoverdefence costs. Revenues rose to \$945.5m, against \$870.3m. Net income for the full year increased to \$66.9m or \$1.36 from a final net of \$47.2m or

advanced to \$3.6bn from

• USAIR GROUP, the atrime which undertook an aggressive acquisition programme in 1987, saw fourth-quarter profits fall after substantial charges. Net income for the quarter was \$22.8m or 53 cents a share, against \$26.7m or 62 cents on revenues at \$1.5bn, from \$1.1bn last time.

from \$1.1bn last time.

The latest quarter includes a \$33m pre-tax writedown to reduce the company's investment in its BAC 1-11 africaft and related spures to estimated net realiseable values, and \$23.6m in non-recurring

merger related charges.
The year's net came out at \$165m or \$3.81, compared with \$194.6m or \$5.28, while revenue jumped to \$5.7bm, against

SARA LEE, the US foods group, advanced strongly in the second quarter, lifting net income to \$137.3m or \$1.19 a share, against \$99.1m or 88 cents on sales up to \$3bn from

At the six-month stage the group advanced to \$212.8m or \$1.84, compared with \$161m or \$1.42 on sales of \$5.8bn. against \$5bn. The result includes a non-recurring gain of 10 cents a share, reflecting the sale of several businesses.

 HYUNDAI Motor America expects its US sales to rise by 13 per cent to about 300,000 cars this year. The entire increase will come from the new mid-size Sonata sedan, with sales of the Excel subcompact expected to fall to about 220,000 cars. Last year, just over 264,900 Excels were sold.

# American Express licence plan angers Canada banks

MR Michael Wilson, the Canadian Finance Minister, has turned a deaf ear to objections raised by Canadian chartered banks to his preliminary approval of a banking licence for American Express Com-

After meeting bankers in Ottawa, Mr Wilson said that allowing American Express to operate in Canada as a Schedule B bank and to develop its credit card, travel services and direct sales business would encourage competition. No change in the Canadian Bank Act was needed.
As a condition, American

Express Canada would wind down its Canadian car leasing business and accept limits on its travel services and merchandising operations, he said.

About 60 Schedule B banks operate in Canada. They are mainly foreign-owned and con-

centrate on wholesale banking Mr Warren Moysey, president of the Canadian Imperial Bank of Commerce and Chairman of the Canadian Bankers' Association, said the CBA would file an objection to the decision with the Superinten-dent of Financial Institutions in Ottawa. The superintendent can institute a public inquiry if he considers it to be in the

public interest.

Mr Moysey pointed out that

American Express did not hold US banking status, and approval of a Canadian license would open the door for Sears. Roebuck and General Motors. which operate large credit-card and sales financing operations in Canada, to gain Schedule B

Heences. He said the Canadian char-tered banks, subject to full fad-eral regulation, would demand powers to engage in other busi-nesses if American Express received final approval.

# BCE slips after heavy charges

BCE, the holding company which controls the regulated Bell Canada telecommunica-tions group and many non-reg-ulated businesses, saw earn-ings fall last year after several heavy special charges.

Income was reduced to C\$887m (U\$\$751.6m) or C\$3.09 a share, from C\$1.09bn or C\$3.91 in 1987. Revenues climbed to C\$15.2bn from C\$14.7bn in 1987.

Fourth-quarter profit was also affected. Income fell to C\$123m or 42 cents from C\$340m or C\$1.22 a year earlier on revenues of C\$4bn against C\$3.8bn.

The special charges taken in the fourth quarter reflected writedowns by the 52 per centowned Northern Telecom, which amounted to C\$242m for restructuring, C\$72m by TransCanada Pipelines to cover

lower values of oil and gas properties; and C\$97m by other subsidiaries

Bell Canada, fully-owned, had net profit of C\$793m in 1988 from C\$731m in 1987, accounting for C\$2.66 a share of BCE, against C\$2.61. Northern Telecom's contribution to BCE was 37 cents a share, against 84 cents.

# Procter & Gamble jumps 25%

By Karen Zagor in New York PROCTER & Gamble, the US soap and consumer products group, reported a 25 per cent rise in second-quarter earnings, further cementing its

recovery from a mid-1980s profit slide. The Cincinnati-based group reported a net profit of \$325m. or \$1.92 a share compared with \$261m or \$1.52 the previous year. Sales rose 8.9 per cent to

profits rose 17.5 per cent to \$725m or \$4.28 from \$617m or

Sales for the period increased by 10.9 per cent to \$10.53ba from \$9.5ba. The group gave no indication of the reasons for its improved

P&G recently announced a so-called leveraged employee stock ownership plan which \$5.27bn from \$4.84bn. will borrow \$1bn over 15 years to buy the group's stock. The

scheme is intended help shield the company from hostile take-overs as well as improving

employee retirement benefits The company said the stock ownership plan would take the employee stake in P&G, seen as a takeover target during its

sluggish performance a few years ago, from 14 per cent to 20 per cent. Shares in P&G were trading at \$88%, up \$% following the release of the results.

# **Bond suspends payments** from Kalgoorlie interests

By Our Financial Staff

suspended dividend payments from his main Kalgoorlie gold mining operations in Western Australia as he prepares to cre-ate one "super pit" from the residue of the area so-called

Golden Mile.
Gold Mines of Kalgoorlie (GMK) is dropping its payout to spareholders for the six months to last December. Earlier this month, the company, which paid 6 cents a share for the same period of 1987, unveiled a A\$260m (US\$230m) reverse takeover offer, all in shares, for North Kalgurli Mines (NKM), which owns frac-

tionally more than half of GMK. NKM stopped paying divi-dends a year ago, but the direc-tors said last February that the

MR ALAN BOND has the half-year just ended, "based on operating results." Yesterday they were able to report a 69 per cent interim improvement in consolidated net operating profit to
A\$33.1m. They added, however,
that they had decided "not to
declare a dividend during the present period of expansion at

> At GMK the dividend omission was attributed to these moves and a fall in net profits to A\$2.7m from A\$8.4m. GMK is offering one of its own shares for each three in NKM. This is the first stage of a plan which will lead to a single operation run jointly with the US-controlled Homestake Aus-

dends a year ago, but the directors said last February that the position was to be reviewed in six months, up 30.2 per cent.

# Strong advance at Jefferson Smurfit

By Maggie Urry

JEFFERSON Smurfit Corporation, the 78 per cent-owned North American subsidiary of Jefferson Smurfit Group, the largest paper-based packaging group in the world, recorded a 57.1 per cent increase in net income last vear to \$144.5m.

The group said demand for its products remained strong and price increases were being implemented early this year. income per share was \$3.72, up from \$2.39. Sales in the year rose by 14.2 per cent to \$1.3bm.

In the fourth quarter, net income reached a record level for the twelfth consecutive quarter. Fourth-quarter sales rose 7.5 per cent to \$312m and income by 25.4 per cent to \$39.3m.

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# IT **D**

# YOU CAN SEE WHY OUR PROFITS ARE UP.

# YOUJUST HAVE TO READ OUR STATEMENT.

For the full picture, read both.

Read our annual statement of profits, and our perennial statement of principles.

First, the results for the twelve months to October 31st 1988, as announced by First National's Chairman,

Richard Langdon.

"We are pleased to report very satisfactory progress making 1988 another record year.

"Profits before tax at £68.7 million are up by 29% compared with the previous year.

"The current results include a proportionately higher provision for taxation than last year due to a lesser effect of currently available tax losses against increased profits.

"Earnings per share at 35.2p are up by 14% compared with the previous year, after allowing for the increased effect of the tax charge this year.

"Having regard to the Company's consistent profit growth over a number of years and its substantial shareholders' funds, we consider that it would now be appropriate to allocate a higher proportion of available profits in dividends to shareholders, whilst maintaining

adequate cover. We are therefore recommending a final dividend net of tax credit of 8.0p per share making a total of 11.5p per share for the year.

"This is 31% higher than the total for last year.

"Earning assets at the year end

PRICE PARTS

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total over £1,300 million compared with £1,000 million at the end of last year and we expect further prudent growth in 1989".

This 29% rise is the fifth large increase in a row. In a supposedly unpredictable world, what accounts for such predictability? Is it luck, or is it judgement?

Our "First Principles" embody the answer. A précis of what analysts mean by the abstract phrase "strong management", they represent qualities which will increasingly be valued as less experienced competitors seek to enter the consumer credit market.

This is currently our largest business, and its health relies on the way in which our central principle "be rigorous in credit vetting" is put into practice.

We have more than 300,000 borrowers, all of whom are home owners. In assessing the prospective customer's ability to repay the loan, we spend three times the industry average. As a result we have an enviably low bad debt record.

But not all our business is in consumer credit. Over a third of our profits come from commercial lending and property development.

In addition variable-

rate lending protects First National from rises in interest rates.

It is our growing strength which has permitted us to increase the dividend, allowing our shareholders to enjoy more of the success they have helped to build.

That, too, seems a worthwhile principle.





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### NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

### YAMAICHI SECURITIES COMPANY, LIMITED U. S. \$50,000,000 5 per cent. Convertible Bonds 1998 (the "1998 CB")

U.S. \$29,000,000 31/4 per cent. Convertible Bonds 1995 (the "1995 CB")

NOTICE IS HEREBY GIVEN that Yamaichi Securities Company, Limited (the "Company") will redeem on 28th February, 1989 (the "Redemption Date") all of the 1998 CB and 1995 CB (together the "Bonds") outstanding at the redemption price of 103 per cent. of the principal amount of the Bonds together with accrued interest to the Redemption Date.

The payment of the redemption will be due and payable on or after the Redemption Date and will be made upon presentation and surrender of the Bonds together with all the unmatured coupons appertaining thereto at any of the below-mentioned specified offices of the Paying and Conversion Agents.

### For the 1998 CB

PRINCIPAL PAYING AGENT AND CONVERSION AGENT (for payments of principal only)
The Industrial Bank of Japan Trust Company
245 Park Avenue, New York, N.Y. 10167

Credit Suisse

West Germany

Paradeplatz 8 8001 Zurich, Switzerland

The Daiws Bank, Limited Eschersheimer Landstrasse 14, 6000 Frankfurt/Main 1

Kyowa Finance (HK) Limited

Admiralty Centre Tower 1 18 Harcourt Road, Hong Kong

The Mitsubishi Bank, Limited

Koenigsallee 15 4000 Dusseldorf, West Germany

Morgan Guaranty Trust Company

The Mitsui Bank, Limited

of New York Avenue des Arts 35 B-1040 Brussels, Belgium

27 Avenue des Arts 1040 Brussels, Belgium

Temple Court 11 Queen Victoria Street London EC2N 4TA

Yamsichi International (Nederland) N.V.

Saitama Bank (Europe) S.A.

The Sumitomo Bank, Limited

33 Boulevard du Prince Henri 1724 Laxembourg

World Trade Center Tower D 10th

Strawinskylaan 1057 1077 XX Amsterdam, Netherlands

The Thiyo Kobe Bank (Luxembourg), S.A.

1 King Street London EC2V 8LQ

The Chuo Trust and Banking Company,

The Hokkaido Takushoku Bank, Limited

Garrard House 31-45 Gresham Street, London EC2V 7BD

10th Floor Woolgate House Coleman Street, London EC2R 5AT

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The Dai-Ichi Kangyo Bank Singel 540 1017 AZ Amsterdam, Netherlands

The Fuji Bank, Limited 25-31 Moorgate London EC2R 6HQ

The Industrial Bank of Japan, Limited Bucklersbury House Waibrook, London EC4N 8BR

The Long-Term Credit Bank of Japan, Limited 18 King William Street London EC4N 7BR

The Mitsubishi Trust and Banking Corporation
24 Lombard Street, London EC3V 9AJ Mitsui Trust Bank (Europe) S.A. Avenue Louise, 287-Bte 5 1050 Brussels

The Nippon Credit Bank, Ltd. 40 Basinghall Street London EC2V 5DE

The Sanwa Bank, Limited 3rd Floor, Wehrhahn Centre Building Ost Strasse 10 4000 Dusseldorf, West Germany

The Sumitomo Trust and Banking Company, Limited No. 02-16 UIC Building 5 Sheaton Way, Singapore 0106

The Tokai Benk, Limited **Bockenheimer Landstrasse 51-63** 6000 Frankfurt/Main 17 West Germany

The Yasuda Trust and Banking Company, Limited
1 Liverpool Street, London EC2M 7NH

For the 1995 CB

PRINCIPAL PAYING AGENT AND CONVERSION AGENT (for payment of principal only) The Bank of Tokyo Trust Company 100 Broadway, New York, N.Y. 10005

The Bank of Tokyo, Ltd. Northgate House

20/24 Moorgate London EC2R 6DH **Credit Suisse** Paradeplatz 8 8001 Zurich

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The Hokkaido Takushoku Bank, Limited Garrard House 31-45 Gresham Street, London EC2V 7BD

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24 Lombard Street, London EC3V 9AJ Mitsui Trust Bank (Europe) S.A. Avenue Louise, 287-Bte 5 1050 Brussels

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The Sanwa Bank, Limited 3rd Floor, Wehrhahn Centre Building Ost Strasse 10 4000 Dusseldorf, West Germany

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On and after the Redemption Date, interest on the Bonds will cease to accrue.

The aggregate principal amount of the Bonds outstanding as of 20th January, 1989 for the 1998 CB is U.S. \$55,000.00 and for the 1995 CB is U.S. \$130,000.00.

The Bonds may be converted into shares of common stock of the Company (the "Shares") at the Conversion Price (with translation of the principal amount into Japanese yen of the 1998 CB at the rate of U.S. dollar 1 equals Japanese yen 240.75, and of the 1995 CB at the rate of U.S. dollar 1 equals Japanese yen 247.35) of Japanese yen 403.50 per Share in the case of the 1998 CB and of Japanese yen 527.90 per Share in the case of the 1995 CB. Each Bondholder who wishes to convert his Bonds should deposit, on or prior to the Redemption Date, his Bonds, together with all unmatured coupons appertaining thereto, with any of the above-mentioned specified offices of the Paying and Conversion Agents, accompanied by a written notice of conversion, which is available at any of the above-mentioned specified offices of the Paying and Conversion Agents.

SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON THE REDEMPTION DATE.

For the information of the Bondholders, the reported closing price of the Shares on the Tokyo

For the information of the Boudholders, the reported closing price of the Shares on the Tokyo Stock Exchange on 20th January, 1989 was Japanese yea 2,020.00 per Share.

YAMAICHI SECURITIES COMPANY, LIMITED 4-1, Yaesu 2-chome, Chuo-ku, Tekyo, Japan

Dated: 27th January, 1989

# INTERNATIONAL COMPANIES AND FINANCE

# Kaufhof likely to raise dividend

By Andrew Fisher in Frankfurt

SHAREHOLDERS in Kaufhof, one of West Germany's leading department store and specialised retail groups, are likely to receive a higher dividend after a slight rise in net profits for 1005 Mr. June Oderwick for 1988, Mr Jens Odewald, chairman, said.

Although business for the full year did not match the high expectations of early months, Kaufhof would still improve a little on the record 1987 result of DM94m after tax. This was 22 per cent higher than the 1986 figure. Start-up costs of nsw operations fell from DM54m in 1987 to DM42m and would drop further in 1989.

Commenting on dividend prospects, Mr Odewald said: There is a chance that we shall go higher." Last year, the payment was unchanged at DMS per share.

Turnover in 1988 was up by 17 per cent at DM11.6bn (\$6.3bn), with department stores contributing a virtually unchanged DM5.3bn. As for prospects in 1989, he said he

nair of 1998 han been disap-pointing, noting that textiles, accounting for two-fifths of group business, had been flat. Tourism also lost some of its buoyancy. But Kanfhof is still expanding here, having just paid some DM75m for a large minority stake in Sun Interna-tional, a leading Belgian travel

cern, which said profits would be lower because of reorganisa-tion costs. In 1987, group earn-ings soared by 75 per cent to DM172m. Turnover last year rose by 5 per cent to DM14.3bn, including DMLShn from the Neckermann mail order subsidiary which grew at the same

per share for 1988. In a share-holders letter it spoke of a good profits situation.

### Volkswagen appoints new US chief

VOLKSWAGEN, the West German motor group, has appointed Mr William Young

James Fuller, who was killed in the crash of Pan Am flight 103 in Lockerbie, Scotland, last month. The crash also killed Mr Lou Marengo, head of mar-keting for VW's US operations. Mr Young comes back to VW

# Framatome takes control of Souriau from family

The nuclear group has at last persuaded the Sourian and Charles families to sell their 53 per cent stake in Souriau. It will add this to 40 per cent it already owns through accumulated purchases in the market

By Anatole Kaletsky and James Buchan in New York But depreciation was DM30m higher last year. PHELPS DODGE, the biggest US copper producer, increased its underlying net profits by 62 per cent in the fourth quarter and more than doubled profits

sharply at Asarco, the US cop-per, silver, lead and zinc producer, which boosted fourthquarter profits from \$55.8m or \$1.27 a share to \$73.1m or \$1.74. At Phelps Dodge, earnings were \$140.5m or \$4.46 a share for the quarter and \$420.2m or

was "cantiously optimistic." Mr Odewald said the second half of 1988 had been disap-

Also reporting figures yester-day was the rival Karstadt con-

Allianz Lebensversicher-nngs, West Germany's largest life insurer, said it would pay an unchanged DM9 dividend

Separately, VW said it would operations and cut jobs.

By George Graham in Paris

FRAMATOME, the French nuclear plant builder, announced yesterday that it had reached agreement to take full control of Souriau, the leading French electrical and electronic connections mannfacturer, from its controlling family shareholders.

\$13.15 for the year. This com-

pared with quarterly net income of \$36.3m or \$2.68 in

1987, excluding an extraordinary gain of \$19.1m. Profits for the previous year amounted to

\$150.6m or \$4.62, excluding

extraordinary henefits of

By David Owen in Toronto

FALCONBRIDGE, the Toronto

metals group, and Cominco,

the Vancouver resources con-cern, have reported record

fourth-quarter profits spurred

by higher metal prices and

Falconbridge, in which Nor-

ands, the Canadian resources

company, recently accumu-

lated a 20 per cent stake, said

net earnings totalled C\$124m

(US\$105m) or C\$1.88 a share, compared with C\$43m or 61 cents a year earlier, reflecting

buoyant markets for nickel and

zinc. Quarterly revenues advanced to C\$658m from

For the full year, the com-

pany had income of C\$341m or

By Jim Jones in Johannesburg CONSOLIDATED Modder

fontein and South Roodepoort,

the two gold mines managed by the Golden Dumps group of

South Africz, slipped further into the red during the Decem-

ber quarter as gold production and recovery grades again failed to match management's

Both mines have been cut-

ting their milling rates to con-centrate on exploiting smaller tonnages of richer ore. But this failed, and capital spending

has been cut sharply.

buoyant markets.

The latest quarter's income

in 1988 as a whole. Earnings were also np

as head of its US operation, Volkswagen of America, with effect from February 1. He replaces the late Mr

after 5% years of running his own Californian-based consul-tancy company to the vehicle industry. He previously was with Volkswagen from 1971 to

reorganise management of its truck and commercial vehicle

# Framatome said yesterday that it would make an offer for the outstanding 7 per cent through the Paris stock exchange's price support proceof around FFT3.5bn in 1988, some 5 per cent of the world market for electrical connecprice of FFr810 a share, the company is valued at

FFr1.21bn (\$193m).
Souriau, which is Europe's leading producer of electronic and optical connectors, metches closely the US group Burndy, which Framatoma agreed in December to accurate agreed in December to acquire for \$325m.

Framatome has also

would have been still higher

but for a \$50m pre-tax charge for expected closure costs of

obsolescent facilities. The pre-

vious year's final quarter included \$15m in charges and

the latest quarter to \$696.2m and 44 per cent up for the year to \$2.32bn.

At Asarco, profits for the year were \$207.2m or \$4.92 a share, down from \$256.6m or \$6.70. However, the 1987 net

included a gain of \$212.8m for sale of shares in MIM Holdings

Earlier this week, the company announced it was raising its quarterly dividend from 20

cents to 30 cents a share.
At Newmont Mining, the US
gold and coal producer just

under half owned by Consoli-

C\$1.03 on revenues of C\$1.34bn.

The year-ago figure includes a

C\$43m extraordinary gain on the sale of Western Platimum.

neries at Kristiansand and

Kidd Creek reached record lev-

els in 1988, as did nickel ship-

ments from its Falconbridge

Dominicana unit, the company

Falconbridge is a possible participant in the forthcoming auction for the Nonoc nickel

facility in the Philippines scheduled for February 2. Mr

William James, the Falcon-bridge chairman, this week

confirmed that the company was pondering whether to make a bid.

C\$2.12bn, against C\$73m or that the agency to market terpart had harmed sales.

Golden Dumps slides deeper into red

appointed at the mines and the

directors say they have identi-fied incorrect mining methods

and that these have been

Output from the group's refi-

High prices lift metal groups

Sales were 86 per cent up in

unusual items.

of Australia

acquired the much smaller French electrical connections company Jupiter.

The group's three acquisitions between them had sales

Teijin, the Japenese tex-tile producer said it is negotia-ting links with a number of French apparel makers, includ-ing Devernois, in the men's and women's clothing husi-ness, Reuter reports from

dated Gold Fields of the UK, has swung back into operating profit thanks to higher gold

production and a cut in its heavy interest bill.

Tha company, which through its Nawmont Gold

subsidiary is the largest US

gold producer, said fourth-quarter pre-tax earnings from

continuing operations were \$26.4m, which compares with a loss of \$7.9m in the 1937 period.

In the latest quarter, a spe-cial gain of \$27.1m was booked from the sale of various assets

to reduce debt. For this reason

net income was \$53.4m or 79 cents a share against \$4.1m or

Sales rose from \$100.9m to \$152.3m. This was partly because of a big drive to

increase production at New-mont Gold.

material produced at the plant is in the hands of Marc Rich.

the Swiss-based commodities

trading firm. Cominco said higher sales

prices for zinc and copper and

higher sales volumes were

responsible for the rise in

fourth-quarter earnings to a

record C\$85.2m or C\$1.05 a

share before extraordinary

items from C\$49.7m or 64 cents

Fourth-quarter sales rose to

C\$505.4m from C\$397.8m. The mining and integrated metals

segment doubled its operating

profit to C\$165.7m from C\$88.5m in 1987. Mr Bob Hallbauer, president,

said the strength of the Cana-

(Rint) strare (costs)
Sep 28 Dec 28 Sep 28 Dec 28 Sep 28

in 1987.

**QOLDEN DUMPS GOLD QUARTERLIES** 

Earnings per share exiculated after tex and capital expenditure. Parenthe

(2.95) (1.84)

6 cents a year ago.

ble exchange rates and a fall in the price of green coffee.

According to the parent com-pany in Vevey, the 1985 improvement was the result in part of the consolidation of the Buitoni and Rowntree companies on July L Phelps Dodge, Asarco ahead

Sales volume also rose well in almost all product catego-ries and in all geographical Nestlé expects a higher consolidated nst profit than in

Acquisitions

boost group

turnover at

GROUP turnover of Nestle, the

Swiss-based foodstuffs concern

rose by more than 15 per cent last year to a record SFriesbu (\$25.1bm).

This follows a 7.4 per cent decline in sales in 1967 to SFries 24bn due to unfavoura-

Nestlé

in Zurich

By John Wicks

1987, when group earnings were up 2.1 per cent to SFr1.82bn Full-profit figures and a pro-

posed dividend are to be announced in March.

Sika, the Swiss-owned building chemicals specialist. increased group turnover by 15.4 per cent last year to a record SFr865m (3552.2m), from SFT749.5m in 1987.

Sika Finanz, the Baar-based parent company, forecasts sales will this year be "hear the billion mark."

The 1988 growth resulted from a "gratifying expansion of production and sales" and was largely unaffected by acquisi-

All markets except West Germany contributed to this inter-nal growth, which came from the sale of chemicals and special construction activities In 1987 group earnings had risen by 29.3 per cent to

SFr22.5m.
• Ares-Serono, the Swissbased pharmaceutical concern which reports in US dollars, recorded a 28 per cent rise in 1988 group sales from \$327.6m to \$420.3m.

Within this, sales of prescrip-tion pharmaceuticals were up from \$279.9m to \$353.2m and those of diagnostics from \$38.2m to \$58.1m, with over-the-counter pharmaceuticals accounting for \$9m against \$9.7m in 1987.

### LVMH to raise interim payout By Our Financial Staff

(LVMH), the French champagne and luxury products group, has announced an upward revision of its provi-sional 1988 consolidated revenue and said it plans an interim dividend of FFr12 a share, against FFr9 in 1987. LVMH said the revision takes its consolidated revenue for the year to FFr16.44bn (\$2.63bn), np slightly from the FFr16.3bn it estimated on Jan-

uary 5 and up 24.1 per cent from the FFri3.2bn in 1987. LVMH did not announce any upward revisions of its January 5 estimate for sarnings, which showed consolidated net profit for the year rising about 50 per cent from the FFrL34bn it earned in 1987.

LVMH recently underwent a hotly contested internal strug-

# =WORLDINVEST INCOME FUND⇒

### **NOTICE TO SHAREHOLDERS** DIVIDEND ANNOUNCEMENT DECLARATION

OF DIVIDEND No. 24 The Trustees of the World Invest Income Fund are pleased to announce a US\$9.00 pershare distribution to Shareholders in respect of the half-year period from June 30, 1988 to December 28, 1988.

Coupon Number 24, and also any previously unpresented coupons, may be presented for payment on or after February 1, 1989 to any of the following Payment Agents:—

 BankAmerica Trust Company (Jersey) Limited, Union House, Union Street, St. Helier, Jersey, Channel Idands. 2. Bank of America International S.A. 35 Boulevard Royale, Case Postale 435, LUXEMBOURG, Grand Duchy of Luxe

3. BankAmerica Trust & Banking Corporation (Bahamas) Limited, BenkAmerica House, East Bey Street, NASSAU, Belaume 6. Bank of America NT & SA, G.P.O. Box 511, 19th Floor, 12 Harcourt Road, HONG KONG.

Payments will be made subject to any fiscal or other regulations within fourteen days of presentation of each coupon. The Trustees hereby announce the approval of the Shareholders of the Fond to the resolutions, notice of which appeared in the Financial

Times on 24th November, 1988, as follows:-Resolution (1) The proposal to increase the Managers fees to a charge of one fifty-second of nine-tenths of one per cent. Resolution (Z) The proposal to seek approval to withdraw the authorisation of the Hong Kong Securities Commission.

2) Notice is also hereby given that with effect from 1st January, 1989 the Worldinger (Managers) Jersey The Royal Bank of Scotland Trust (C.I.) Limited 6. Mulcaster Street, P.O. Box 178, Union House, St. Helier, Union Street, St. Helier,

Copies of confirmation of the Scruincers result of the Ballot are obtainable for collection from the office of the Managers, together with copies of the Supplemental Deeds.

TERSEY.

The Royal Bank of Scotland Trust Company. (C.L) Limited

TERSEY

# SARA LEE CORPORATION

They say underground pro-duction was affected by poor

morale after a quarter of the

mines' workforces had been

# Summary of results for the quarter and six months ended December 31, 1988

(Dollars in millions except per share data)	Second (	Quartert 1988	Per cent. Increase	Six Mo 1989	onthst 1988
Net sales	\$3,075.4	\$2,644.1	16.3	\$5,825.5	<b>A</b> E 0.000
Pre-tax income	\$224.7		45.4		\$5,043.0
Net income		4.0.00		\$348.2*	\$256.0
	\$137:3	\$99.1	38.5	\$212.8	\$161.0
Earnings per share	\$1.19*	\$.88	35.2	\$1.84*	\$1.42
Dividends per share	\$.36	\$.30	20.0	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	41.45

†Recal year ends June 30
"Pre-tax income includes \$32 million in nonrecurring profits representing gains on the sale of several businesses, offset, in part, by restructuring charges. Earnings per share benefitted by 104. Operating results reflect particular strength in the Personal Products business,

aided, in part, by the acquisitions of Stedman, Adams-Millis and Dim. Unit volumes were: +5% frozen baked goods; +7% packaged meats; (1)% European coffee; +2% foodservice; +1% hosiery; +26% knit products. All volumes exclude acquisitions.

Sara Lee Corporation, Three First National Plaza, Chicago; Illinois 60602

# INTERNATIONAL COMPANIES AND FINANCE

# Canada air deal may end price war

David Owen on the thinking behind PWA's takeover of Wardair

n 1946 Mr Russell Baker, an obscure bash pilot, launched Pacific Western Airlines, a company whose pri-mary function was to fly for-est-fire patrols for the British Columbia government. About the same time Mr Maxwell Ward was exploiting another niche market: transporting war-brides across the Atlantic.

HARY TANDARY

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PWA Corporation and War-dair – the latter-day manifes-tations of these pioneering enterprises — went on to become the main competition to the state-controlled Air Can-ada in the increasingly deregulated domestic market-

place.

Now PWA, the parent of Canadian Airlines International (CAI), is to swallow its smaller Edmonton-based rival. To the chagrin of consumers, the deal is expected to bring down the curtain on an 18-month period of cut-throat competition and tumbling ticket prices on Canadian

routes.

It was the sheer depth of the discounting that put paid to Wardair's audacious plans to lure passengers away from the higger airlines through a combination of lower prices and better service. Though the strategy was working, it was driving the company into the red.

"Frankly, we just did not have enough money to hold out for another year to a year and a half," said Mr Ward who is to remain chairman of War-dair under PWA's ownership while relinquishing his post as chief executive to PWA's Mr

Rhys Eyton. The former charter airline was further handicapped by having to cobble together a reservation system, and by its lack of a captive network of commuter airlines to feed passengers to its longer-haul lights. Since desegged to the longer haul flights. Since deregulation, Air Canada and CAI alike have taken controlling equity stakes in the main regional carriers, while concentrating their own efforts on servicing major Canadian cities and adding international routes.

The C\$248m (US\$209m) transaction will create an organisa-tion of similar size to the recently part-privatised Air Canada. PWA and Wardair bad aggregate revenues for the first nine months of last year of C\$2.2bm, against C\$2.62bm for the Montreal-based market



The Wardair fleet of Airbus A310s fits awkwardly with CAI's Boeings and may be sold

leader. Air Canada controls about 52 per cent of the domes-tic market, against 48 per cent for the combined CAI-Wardair. What is more, the two fully private airlines have been gain-ing ground, sided by Air Can-ada's restricted access to capital. Prior to the merger, they were adding seats so fast that they were expected to overhaul

Air Canada in terms of overall seat capacity (16,650 to 16,200) by the end of this year. In at least one respect, how-ever, the post-deal PWA will be at a marked disadvantage to its remaining rival. The company will be attempting to carry a

The C\$248m transaction will create an organisation of similar size to the recently part-privatised Air Canada which controls

debt load of C\$1.5hm, according to analysts' preliminary calcu-lations, on a C\$500m equity base. This will make it nearly twice as highly leveraged as Air Canada. "I would not be totally comfortable with that debt load," says Mr Frederick Larkin, an analyst with Alfred

reaction to the deal appears likely to facilitate such a strat-egy, Shares both in Air Canada and in PWA responded very positively to the news, Cana-dian airline stocks have been discontinuous and three ageing jumbo jets. CAI mainly oper-

trading at a marked discount to book value since the industry's war of attrition began.

More immediately, attention is likely to focus on cutting costs and improving cash flow. About one third of Wardair's 4500 staff can expect eventu-ally to lose their jobs, accord-ing to Mr Ward.

On the revenue side, mean-

on the revenue ade, mean-while, PWA will no doubt be helped by the higher ticket prices likely to result from removing Wardair from the competitive equation. It will benefit too from the integra-tion of Wardair's strong hand of international routes. The

carrier corrently handles about

a third of passenger traffic

between Britain and Canada, and has the right to fly into

Asset disposals and pruned

capital expenditure plans are also thought to be in the offing

as PWA reconciles its abruptly expanded aircraft inventory with anticipated future needs.

On the face of it, the CAI and

Wardair fleets appear pecu-liarly ill-matched, having abso-

lutely no overlap in terms of aircraft type. Wardair's main immediate contribution takes

Lyons and Nice.

about 52 per cent of the domestic market

Bunting. In the longer run, PWA executives have hinted, they would like to ease the position by issuing fresh equity. Market Since the consummation of the deal, Wardair has moved quickly to cancel a C\$600m order with McDonnell Douglas for 16 MD-80 aircraft, as well as orders for two more A310s. Furthermore, the company has told Holland's Fokker that options on 24 Fokker-100s are unlikely to be taken up. (CAI last summer ordered 17 Airbus

ates Boeing 737s and 767s.

A-320s, taking options on a further 17.)
Though Mr George Curley,
Wardair president, has said
that be does not expect the company to sell any existing planes, some observers believe that the valuable A310s, worth

up to C\$80m per unit second-hand, could be prime candi-dates for disposal. "Not many carriers in the world would operate both A310s and 767s, says Alfred Bunting's Mr Larkin.

With Air Canada waiting in the wings, the pressure is on PWA to accomplish its reor-ganisation smoothly and quickly. In this connection, it is perhaps encouraging to note that Mr Eyton did not get where he is today without displaying a certain knack in this

In 1987, he oversaw the for-mation of CAI through the amalgamation of four smaller airlines. The experience of melding these self-contained entities into a national carrier can hardly fail to stand him in good stead as he attempts to integrate Wardair.

# Extra dividends for NAB shareholders

By Chris Sherwell in Sydney

SHARRHOLDERS IN National Australia Bank (NAB), the country's third largest in terms of global assets, are to receive a further rise in their already increased dividends following a bank decision to lift its payout rate on 1987-88 earnings close

The move, announced yester-day at the bank's annual gen-eral meeting in Melbourne, will come through a special cash dividend of 10 cents a share in March It follows a 50 cent per share dividend declared in November, which represented

November, which represents a payout ratio of 65.4 per cent, itself a sharp rise from the previous year's S5.3 per cent.

Behind the improvement lies the Canberra government's introduction of dividend imputation, under which dividends from tax-paid company profits are not taxed a second time in the shareholder's hands as the shareholder's hands as income, but are instead cred-ited against shareholder's per-

sonal tax liability.
Also responsible for the increase is NAB's own innovative dividend scheme approved last year, under which dividends can be paid in the form of scrip as well as cash, taken as "unfranked" bonus shares or reinvested in the bank.

in November, at the end of a record trading year, NAB's 50 cents a share payout comprised 32 cents cash and 18 cents scrip. However, because some shareholders took unfranked bonus shares, and because the bank was conservative in its original estimate of available credits, it has lifted its payout further.

further.

"This special dividend is consistent with the board's policy of distributing all available franking credits to shareholders," Sir Rupert Clarke, NAB chairman, told the meeting.

The payout ratio is thought to be one of the highest on the Australian corporate scene.

The addition will be fully franked. Shareholders can elect to reinvest if at a 75 per cent

to reinvest it at a 7.5 per cent discount on market price, or take unfranked bonus shares at a 10 per cent discount on

market price.
The bank meanwhile confirmed that it expected further growth in earnings in the current year, despite more diffi-cult business conditions.

# **Bank of East Asia lifts** post-tax profit 25.1%

By John Elliott in Hong Kong

BANK OF East Asia, Hong lift late afternoon property and Kong's largest family con-trolled bank, yesterday reported consolidated profits after tax and transfers to inner reserves for 1988 of HK\$280.2bn (US\$35.9bn), a 25.1 per cent increase over the previous HK\$223.9bn.

The results, which were accompanied by the announcement of a one-for-four bonus share issue, exceeded some market expectations. The level of just over 25 per cent was also regarded by analysts as a promising start to Hong Kong's annual season of final results, which traditionally begins with

Bank of East Asia's figures. The significance of the results is muted by Hong Kong banks' freedom to transfer undisclosed sums to inner reserves, which enables them to mask actual performance. Some analysts nevertheless suggested the results helped

bank share prices on the Hong Kong stock exchange, where there had been some early falls

following a property auction on Wednesday.

Mr K.C. Chan, company secretary of the bank, which is controlled by the Li family, said the improved profits were the result of growth in trading finance business, and property and syndicated loans.

Some analysis suggested the

Some analysts suggested the bank probably trimmed its latest secret transfers to inner reserves in order to finance a bonus of 10 cents per share announced yesterday to mark the bank's 70th anniversary. This bonus was in addition to a final dividend of 50 cents

per share which, together with 25 cents paid last October. brought the total dividend for the year to 75 cents. The 1987 figure, adjusted for the bonus issue, was 63 cents. U.S. \$400,000,000



The Kingdom of Belgium

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 27th January, 1989 to 27th July, 1989 the Rate of Interest on the Notes will be 996% per annum. The interest payable on the relevant interest Payment Date, 27th July, 1989 will be U.S.\$11,783.85 per U.S.\$250,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York

The Prudential Insurance Company of America U.S. \$500,000,000

Collateralized Mortgage Obligations Series 1986-1

For the period 25th January, 1989 to 27th February, 1989 the Bonds will carry an Interest Rate of 9.7% per unnum with an Interest Amount of U.S. \$236.82 per U.S. \$50,000 (the original Principal Amount) Bond, payable on 27th February, 1989. The Principal Amount of the Bonds outstanding is expected to be 53.268053% the original Principal Amount of the Bonds, or U.S. \$26,634.03 per Bond until the Twenty Sixth Payment Date.

Bankers Trust Company, London

### **SAATCHI & SAATCHI** FINANCE N.V.

Registered Office: Schottegatweg-Oost 130, Sellinja Ozagao, Netherlands Antilles

### NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of Shareholders of SAATCHI & SAATCHI FINANCE N.V. (the "Company") will take place at the registered office of the Company on February 3, 1989 at 9.30 a.m. The agenda for the Meeting is as follows:

Report by the Management
 Adoption of the financial statements for the

financial year which ended September 30, 1988 ☐ Declaration of Profit

Discharge (decharge) of the Management Appointment of auditors for 1988/1989 .

Any and all matters which may properly come before the Meeting

The annual report and accounts of Saatchi & Saatchi Finance N.V. will be available for public inspection at the registered office of the Company from February 3, 1989.

# Ingersoll-Rand Company Woodcliff Lake, USA

has acquired through its subsidiary

Ingersoll-Rand Investment Company S.A. Fribourg, Switzerland

all the shares of

Ing. G. Klemm Bohrtechnik GmbH Droishagen, West Germany

and of

Dr. Ing. G. Klemm Bohrtechnik, Engineering & Consulting AG Seeb-Winkel, Switzerland

WestLB Mergers & Acquisitions initiated this transaction as advisors to the sole shareholder of the Klemm Group, Prof. Dr.-ing. G. Klemm, assisted in structuring the takeover concept and managed the negotiations leading to the deal.

> WestLB Westdeutsche Landesbank

> > January 1989

Branches: London New York Tokyo Hong Kong Subsidiaries: WestLB International S.A., Luxembourg Banque Franco-Allemande S.A., Paris Westdeutsche Landesbank (Schweiz) AG, Zunch Representative Offices: Beijing Melbourne Moscow Osaka Rio de Janeiro Toronto

### US. \$100,000,000

**Fortune Federal** Savings and Loan Association

Collateralized Floating Rate Notes Due 1992

Interest Rate

97/16% per annum

Interest Period

27th January 1989 27th April 1989

Interest Amount per U.S. \$100,000 Note due U.S. \$2,359.38 27th April 1989

> Credit Suisse First Boston Limited Agent Bank ·

Wells Fargo & Company £60,000,000

Floating Rate Subordinated Notes due January 1994

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 26th January, 1989 to 26th April, 1989 the Notes will carry an Interest. the Notes will carry an Interest Rate of 134% per annum.

Interest payable on the relevant interest payment date 26th April, 1989 will amount to £163.36 per £5,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York London

BANCORPORATION OF TEXAS, INC. US\$190,000,000

In accordance with the provisions of the Notes, sotice is hereby given that the Rate of Interest for the three month period 24th January, 1989 to 24th April, 1989, has been fixed at 9 the per cent per annum. Interest will therefore be payable at US\$239.06 on 24th April, 1989.

MANUFACTURERS HANOVER
TRUST COMPANY
Agent Bent

CIVAS & LIMITED Interest Rate 8.75% p.s. Interest Period Jenuery 27, 1969 to July 27, 1989. Interest Payable per US\$100,000 Note US\$4,902.08. January 27, 1969, London By Citherk, N.A., (CSSI Dept.), Agent Br



### INTERNATIONAL BUSINESS COMMUNICATIONS (Holdings) plc ("IBC" or "The Company")

Tender Offer to purchase up to 40 per cent. of the Ordinary shares of IBC

A tender offer enabling shareholders to tender all or part of their shareholdings at a price of 150p per share through The Stock Exchange will open today, Finday, 27th January, 1989 and close at 12.00 noon on Friday, 10th Fabruary, 1989. The terms of the Tender Offer and the action that shareholders should take if they wish to tender some or all of their shares are set out below.

The tender price of 150p per share represents a premium of 47 per cent, over the closing middle market quotation of 102p on 5th January, 1989, two business days prior to the announcement that the Company was examining a number of options to buy-in its shares, and a premium of 21 per cent, over the closing middle market quotation of 124p on 25th January, 1989, the day immediately prior to the announcement of these processes.

Terms of the Tender Offer

The following are the terms and conditions of the Tender Offer. no resowing are the terms and conditions of the Tender Offer.

(i) Shareholders are invited to tender through The Stock Exchange all or some of their Ordinary shares at the tender price of 150p per share. Under these terms each shareholder will be able to sell at least 40 per cent. of the shares registered in his name at 5.00 p.m. on Thursday, 8th February, 1989. To the extent that individual shareholders tender less than 40 per cent. of their shares, the Company will have the capacity to purchase additional shares so that other shareholders will be able to sell more than 40 per cent. of their registered holdings, subject to the Company purchasing a maximum of 40 per cent. of the Company's issued Ordinary share capital. This capacity will be satisfied by reference to the intentions of shareholders in aggregate.

of shareholders in aggregate.

(ii) Shareholders may tander all or some of their shares, but if more than 25,026,836 shares are tendered, tenders will be accepted for up to 40 per cent. of the registered holding of each individual shareholder and thereafter acceptances in respect of shares tendered in excess of 40 per cent. will be scaled down on a pro rate base. Fractions of shares will be ignored in determining such pro rate entitlements. (iii) The shares will be tendered on-market (see (xi) below).

(iii) Tenders may only be lodged on behelf of shareholders by a Member Firm of The Stock Exchange and will be irravocable. Shareholders should note there may be a charge for this service.

(iv) Only shareholders on the Register as at 5.00 p.m. on Thursday, 9th February, 1989 will be able to tender valid forms through a Member Firm. Anyone who buys shares in the market during the offer period should deal for guaranteed delivery on or before Monday, 6th February, 1989. (vi) If tenders representing less than 1 per cent. of the Ordinary shares (being \$25,671 Ordinary shares) are received the Tender Offer will be void

(vii) The Tender Offer will open on Friday, 27th Jenuary, 1989, at the Company's shares will be conducted by The Stock Exchange, Upon closing, dealings in the Company's shares will be temporarily suspended and the shares which have been successfully tendered will be determined by The Stock Exchange and representatives of the Company. The decision of The Stock Exchange and the Company's representatives as to which shares have been successfully tendered shall be conclusive and binding on all shareholders.

sharsholders.

(vii) Potowing the Extraordinary General Meeting to be held at 10.00 a.m. on Monday, 13th February, 1989, the result of the Tender Offer will be announced and notified in writing to the relevant Member Firms and dealings in the Company's shares will resume. Sales will be effected through The Stock Exchange of those shares which have been successfully tendered, it is emphasized that the terms of such sales may a no circumstances be subsequently varied.

(it's Sales resulting from successful tenders will be for normal Stock Exchange Account Settlement on Monday, 6th March, 1989, being the settlement day for the Account ending on Friday, 24th February, 1989. Shareholders who have successfully tendered will therefore receive their proceeds of sale (less normal dealing expenses) through their stockbroker or other eigent in the usual way once they have completed the normal formalises and provided a valid share certificate. The normal Stock Exchange rules for Account Settlement will apply and buying-in may therefore take place in the event of little delivery of shares.

by A tender will only be valid where the procedures published herein and in the tender form are compiled with.
(vi) Tender forms are available from the following address during normal business hours from Friday, 27th January, 1989 to 12.00 noon on Friday, 10th February, 1989:

The UK Equity Market Department, 21st Floor, The Stock Exchange, London EC2N 1HP

London EC2N THP and from the Regional Stock Exchange Units.

The Tender Office is made on the basis that, and the tender forms provide that, Phillips & Drew Securities Limited, in its capacity as market maker and as principal, will purchase Ordinary shares successfully tendered pursuant to the Tender Office, which it will then sell to the Company.

(di) Acceptance of tenders is conditional upon approval by shareholders of Resolutions at the Extraordinary General Meeting to be held at 10,00 a.m. on Wonday, 131h February, 1989.

(dii) Shares tendered will be sold free from all or any options, liens, charges and encumbrances and together with all rights attaching thereto, including the right to the final dividend to be declared for the year ended 31st December, 1988.

Action to be taken to accept the Tender Offer in order to tender, shareholders will need to instruct their stockbroker, bank manager or other professional adviser to make the necessary errangements to tender their shares on The Stock Exchange. Sales resulting from successful tender of shares will be subject to normal Stock Exchange sale commissions and expenses.

Whilst the Board of IBC has been advised that the statements expressed below are correct for the majority of shareholders, they may not be applicable to certain shareholders, including non-UK residents, insurance companies and pension funds. All shareholders are strongly recommended to consult their professional advisers before tendering their shares. A successful tender of shares through The Stock Exchange will be treated as a normal stockmarker sale. The sale proceeds will be treated as a capital and the normal capital geins tox rules will apply. There will be no liability to tax on income unless the shareholder is normally assessed as a trader in every state.

WARNING: Shares bought between the date of this announcement and the closing date can only be tendered if the purchaser is on the Register at 5.00 p.m. on Thursday, 9th February, 1989. All shares bought in this pariod should, therefore, be bought for guaranteed delivery on or before Monday, 6th February, 1989.

For further information, ahareholders are referred to the circular that was vesterday posted to all shareholders, copies of which are available from Philips & Draw Securities Limited, Corporate Finance, 2nd Floor, 120 Moorgate, London EC2M 6XP.

The Tender Offer will close at 12.00 noon on Friday, 10th February, 1989. It is expected that an announcement of the results of the Tender Offer will be made after the Extraordinary General Meeting to be held at 10.00 a.m. on Monday, 13th February, 1989 at 120 Moorgets, London EC2M 6XP.

27th January, 1989

and the second second second

26th January, 1989

# HOKOMATSU LTD.

U.S.\$300,000,000 41/s per cent. Bonds due 1993

Warrants to subscribe for shares of common stock of Komatsu Ltd.

Issue Price 100 per cent.

### Nomura International Limited

**Credit Suisse First Boston Limited IBJ International Limited** 

**Daiwa Europe Limited Morgan Stanley International** 

J. Henry Schroder Wagg & Co. Limited

The Nikko Securities Co., (Europe) Ltd. **Bank of Tokyo Capital Markets Group Baring Brothers & Co., Limited Chase Investment Bank** Dresdner Bank **Fuji International Finance Limited Goldman Sachs International Limited Kyowa Finance International Limited NatWest Capital Markets Limited Salomon Brothers International Limited Swiss Bank Corporation** 

**Sumitomo Finance International** 

**Banca del Gottardo Barclays de Zoete Wedd Limited BNP Capital Markets Limited Deutsche Bank Capital Markets Limited** Robert Fleming & Co. Limited Generale Bank

**KOKUSAI Europe Limited** Merrill Lynch International & Co. **New Japan Securities Europe Limited** Sanwa International Limited **Shearson Lehman Hutton International** S.G. Warburg Securities

Yamaichi International (Europe) Limited

9½ per cent. Loan Stock 2009

placed by

# INTERNATIONAL CAPITAL MARKETS

# Japanese equity-linked issues have a nice day

THE EXPECTED round of Japanese equity warrant issues brought a somewhat mixed reception for the borrowers, but the day was judged a great success, as \$2.9500 of equity-linked paper came to the mar-ket. Two fixed-rate US dollar issues met a good reception, against a background of rising yields on US Treasuries.

Big was beautiful among the Japanese borrowers, with Nip-pon Steel's \$1bn four-year issue running to a sharp premium, quoted by the lead manager, Nikko Securities Europe, at 105% bid. Nikko was also the lead manager for Sumitomo Metal Industries' \$500m issue, which

matures on February 17, 1993. It was quoted at 105% bid. The coupon will be fixed on January 31, while the exercise price will be set on February 1. Kobe Steel's \$1bn issue, the European \$500m tranche of which was lead managed by

Which was lead indiaged by Nomura International, was less conspicuously successful, reaching as high as 104% bid before running back to its closing level of 102% bid.

Co-managers were anxious to point out that this still rep-

Barciays Bank Svenska Handels

Kobe Steelf(a) Kobe Steelf(b) Nippon Steel Corp.¶ Sumitomo Metalf

SWISS FRANCS

resented a healthy premium, and commented that the stock has been relatively weak in the sector. There was also a feeling that the splitting of the issue

### INTERNATIONAL BONDS

into tranches made it harder for the European lead manager to place its allocation.

All three issues carry indicated coupons of 4½ per cent, which are expected to be cut when final terms are set at the

beginning of February. A \$300m deal for Kyocers Corporation, the medical ceramics supplier, was brought to market by Daiwa Europe and quoted at 104% bid. It was said to have been overshad-owed by the steel sector issues. The company's previous paper has a volatile trading history which dealers felt might sub-

due genuine retail interest. While lead and co-managers were delighted by the day's performance, there was some feeling that yesterday's prices obscured the extent of retail

investors may have stayed

**NEW INTERNATIONAL BOND ISSUES** 

10134

100

1015

101%

FY INTERNATIONAL BOND SERVICE

100

| Temed | Mol | Office abov week | Table | 200 | 193 | 15 | 94 | 0 | 0 | 9,96 | 150 | 93 | 150 | 92 | 150 | 93 | 150 | 92 | 150 | 93 | 150 | 93 | 150 | 93 | 150 | 94 | 0 | 16 | 16 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150

away from the high pramiums levied on the new issues and looked for value in existing

The securities houses were predictably tight-lipped and would not discuss whether the issuers had followed their usual practice of swapping the funds into yen, although swap rates are not thought to be advantageous at the moment.

Instead, there were sugges-tions that, in some cases, part of the funds had been invested at a profit in the borrowers' own ex-warrant paper. This was made possible by the higher yields available in the secondary market once the warrants have been stripped away from the original paper.

Bankers Trust International launched a \$120m six-year callable bond for Svenska Handelsbanken, which came at a spread of 74 basis points over an interpolated six-year US Treasury. It was trading at less 177 bits over the statement of the 1% bid, just on full fees after good Japanese demand attracted by the 10 per cent coupon. The proceeds were said to have been swapped into floating-rate dollars.

Daiwa Europe Daiwa Europe Bankers Trust

11/2/34 Bk.of Tokyo(Deutsch)

114/5 Privatbanken AS

n/a Citicorp

ent a)Asian tranche, b)European tranche, c)Put indicated at 107 or

| The content of the

# Copenhagen links bonds. **futures** and options By Hillary Barnes

in Copenhagen

TRADING IN Conenhagen's bond and futures and options markets will be brought together on a single screen as from today, as Denmark takes another step towards a full

electronic market.
"This creates fantastic opportunities for dealers, said Mr Tyge Venstrup Rasmussen, a director of the Guarantee Fund, which supervises the futures and options market.

But the dealers are still saidled with another problem taxation. Investors are liable to tax on profits from trading in the market, but cannot deduct losses. This makes the market a lottery," said Mr. Claus Hansen, manager of SDS Borsservice, the broking som of the SDS savings bank. An official committee last

autumn published proposals for solving the tax problem, but the Government has so fire taken no action and, until the rules are changed, private investors, including the big institutional investors, are not interested in the market, and

interested in the market, said. Mr Hansen.
With the electronic trading system in action, dealers will have data for the 9 per cent.
2006 benchmark bond, the asset on which the futures and options market is based, on screen at the same time as they have the data for the futures and options in which they are dealing. This should result in no

divergence between the price of the bonds themselves and the futures and options, however volatile the market. Mr Hasmussen claims that Copenhagen will become the

first place where the two mar-

has pince where the two markets have been brought together in this way.

The official Danish market in futures and options opened on September 22 last year. To date, it has operated parily through an open outcry acction and parily as a telephone market, although, in market, market, although, in practice, trade has taken place almost

trade has taken place abnoot entirely by telephone. Electronic trading is expected to take a big share of the market.

Daily contracts have averaged about 1,000, or DKribm (\$140m), although the market died away in December, when the price of the 2006 bonds. came close to 100. Bond issu-ers can redeem their bonds at ers can redeem their bonds at version risk, and this has put a damper on the market. The Guarantee Fund has put

a ceiling of 105 on the price at which contracts could be made, in order to reduce the risk from conversion.

This mouth, however, prices, have weakened again, and turnover reached a new daily record of 3,000 contracts (DKr3bn) last friday, and has remained high this week.

# PKbanken plan for Investment Bank takeover

By Sara Webb in Stockhoim

PKBANKEN, Sweden's third-largest commercial bank, which is controlled by the state, said yesterday it plans to take over Sweden's Investment Bank, in a deal worth between SKr26m and SKr3bn (\$413m.477m)

between SKr2.6hm and SKr3hm (\$413m-477m).

The acquisition is intended to strengthen its project financing operations in the increasingly competitive Swedish banking market, it said:

The investment Bank is 100 per cent owned by the state and specialises in project finance and bringing small

finance and bringing small concerns to the stock market.

concerns to the stock market.

It was set up in 1967, at a time when small and medium-slaed companies had almost no access to capital markets. Since then, it has concentrated on building up its expertise in risk analysis.

However, the development of Sweden's financial markets in recent years has given companies far more freedom in borrowing and has led to tougher competition among the banks when it comes to straightforward lending.

Mr Kjell-Olof Feldt, the Finance Minister, who has treated the strategy of the strategy

Finance Minister, who has stressed the need in the past for PKbanken to become more competitive, and Mr Ivar Nord-berg, the Industry Minister, both gave the go-shead this week for PKbanken to acquire the Investment Bank.

Mr KG Lindvall, chief execu-tive at the Investment Bank, said two independent banks

said two independent banks would be brought in to evalu-

would be brought in to evaluate the deal.

Mr Christer Zetterberg, this?

executive of PKbanken, said the deal would help to strengthen the bank's capital base and "increase its shillty to provide credit to industry."

Sweden's Investment Bank Sweden's Investment Bank

reported operating profits of SKr343m in 1987 on an income of SKr485m. Its pre-tax profits reached SKr57m.

This advertisement appears as a matter of record only.



# **European Investment Bank**

Issue of

£100,000,000

Issue Price 95.586 per cent.

Bardays de Zoete Wedd Limited

### INTERNATIONAL CAPITAL MARKETS

# links bond Treasuries gain despite strong goods orders data

senting a leftwards shift and a possible portent of interven-tionism in financial markets.

US TREASURY bonde yesterday managed small gains despite the release of much stronger than anticipated US durable goods orders figures for December.

At midsession, bond prices

TAN JANI ARY 27 198

Copenhaga

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Af midseasion, bond prices were quoted as much as % point lower at the long end of the yield curve but prices ralled during the afternoon to stand as much as å point higher at the close. The Treasury's benchmark long bond closed å point higher for a yield of 8.785 per cent.

Durable goods orders rose 6.4 per cent compared with forecasts for a gain of under 1 per cent. Taking out defence orders, they rose 5.4 per cent and, without transportation orders, by 1.6 per cest.

Bond prices started dropping as soon as the figures were released. However, price

released. However, price declines were relatively modest, partly because the dollar rallied after the orders figures and partly because bond traders did not want to take aggressive positions prior to today's preliminary data on fourth quarter GNP and the accompanying implicit price

Another modest negative for the market yesterday were weekly unemployment claims figures aboving a rise in claims of 27,000 in the week to January 14.

The market is also wary of crude oil prices which have been rising for several days. Considering these poten-tially negative influences and the sharp rally earlier this

week on comments by Mr Alan Greenspan, chairman of the US Federal Reserve, whose tone was interpreted as aggressively anti-inflationary but who said little new, the bond market's rally yesterday was impressive.

### GOVERNMENT BONDS

Today's GNP figures are expected to show growth of around 24 per cent in the final three months of last year compared with 2.6 per cent in the third quarter. Fed Funds closed at 93% per

THE IRISH government bond market greeted Wednesday's budget with no great show of interest. The Exchequer borrowing requirement for the year was in line with expectations and had hence largely been discounted. The medium and of the werket, though con-

end of the market, though, con-tinued to be supported: the 9 per cent capital bond due 1996 advanced 20 basis points, and now yields 8.76 per cent. Foreigners have been underpluning this sector of the mar-ket, as Ireland is perceived to be cheap in relation to the French bond market.

A BULL run in the New Zealand bond market stopped in its tracks yesterday. A Cabinet reshuttle was seen as repre-

100-08 -8/92 10.36 10.36 10.64 99-14 -2/32 8.86 9.92 10.17 99-19 +1/32 9.04 9.07 9.20

Taulminel Date/ATLAS Price Sources

FT-ACTUARIES SHARE INDICES

8.675 11/98 99-09 +3/32 8.98 9.00 9.05 9.000 11/18 102-01 +7/32 8.90 8.85 8.94

JAPAN No 111 4.800 8/98 98.4177 -0.095 4.84 4.97 4.67 No 2 5.700 3/07 108.8362 -0.319 4.79 4.86 4.75

GERMANY. 6.375 11/98 97,9750 -0.125 6.88 6.67 6.55

FRANCE BTAN 8.000 1/04 97.5843 -0.154 8.61 8.56 8.59 'OAT 9.600 5/98 105.7900 -0.110 8.56 8.58 8.61

CANADA " 10.250 12/96 101.3750 -0.075 10.02 9.98 10.09

NETHERLANDS 6.7500 10/98 100,2750 -0.150 6.78 6.78 6.56

AUSTRALIA 12.000 7/99 94.8888 - 12.89 13.00 12.85

London closing, "denotes New York closing Yields: Local market standard Prices: US, UK in 32nds., others in decimal

year on year increase of 8 per cent, which rather contradicts signals that consumer spend-**BENCHMARK GOVERNMENT BONDS** ing is slowing.
The benchmark Treasury issue due 2003-2007 rose a modest ¼ of a point to 117.00, to

> A GLOOMY day for French government bonds was occa-sioned by a wider French trade deficit – FFr4.1bn as a prelimi-nary deficit for December against FFr3.6bn the previou month - and weakness in the US Treasuries market. On the Matif, the French futures exchange, the March contract on the notional 10-year bond lost 44 basis points to end the day at 107.96.

Whereas bond prices had

advanced strongly in the past two weeks or so on the back of

bright economic news and the

new finance minister's bullish

remarks on the direction of

interest rates, mease crent in yesterday at the new political colours hoisted in Wellington. This was enough to knock a

few points off prices. While yields have dropped some 90 basis points in the last eight trading days, bringing the yield on the benchmark bond

to 12.96 per cent on a semi-annual basis, yields were back to

UK GILT-EDGED securities

were quiet yesterday, as a cer-tain amount of paralysis set in

ahaad of today's current

account figures for December. Market forecasts are bunched

around a £1.5bn deficit on the

Prices drifted with US tree-

suries in early afternoon trading, but a strong domestic currency beloed the market's mood. Weekly notes in circula-

mood, weekly hores in circulation figures, significant because they from a large component of the narrow money supply measure, Mo, gave mixed signals. Although yesterday's weekly figure, yielding a year on year increase of 7% per cent, was lower than in previous weeks, the figure for

previous weeks, the figure for January as a whole indicates a

yield of 9.53 per cent.

current account

13.06 per cent by the close.

# **BAT** lifts sterling CP programme to £500m

By Katharine Campbell

BAT INDUSTRIES yesterday announced the extension of its sterling commercial paper programme to 2500m from £200m. Three new dealers, Barclays de Zoete Wedd, Swiss Bank Cor-poration, and SG Warburg, join the two current dealers, NatWest Capital Markets and

The programme, which is issued in the name of BAT's UK financing subsidiary but carries an unconditional parcarries an unconditional par-ent company guarantee, was launched in February 1987.

Standard & Poor's, the US rating agency, has assigned the programme a rating of Al-plus.

Also in sterling commercial paper, AMI Healthcare group have established o new 275mm

have established o new £75m programme. Barclays de Zoete Wedd and SG Warburgs arranged the programme and will also act as its dealers. The first issue of paper is billed for next Monday.

Meanwhile, Morgan Grenfell has arranged a £200m sterling certificate of deposit programme for the Kyowa Bank, the IIK branch of the Japanese.

the UK branch of the Japanese

"city" bank.
The programme's dealers are to be Barclays de Zoete Wedd, Kleinwort Benson, Kyowa Finance International, Midland Montagu and Morgan Grenfell. A 250m uncommitted multi-

option facility for Empire Stores (Bradford) was signed this week. The financing, arranged by Barclays de Zoete Wedd, operates via a tender panel, which bids for short-term sterling acceptances or multi-currency Société Générale Strauss
 Turnbull (SGST) has been expanding its derivative

department by taking over a three-man traded options team headed by Mr Sean Connors. All three were formerly with Morgan Grenfell.

The team will focus on institutional business on the London Traded Options Market, which has seen a strong recovery of business after a least resident in the post-crack long period in the post-crash doldrums. The team also plans to bandle select private

# Becalmed after Atlantic crossing

Norma Cohen on New York's poor reception of French bonds

France's widely touted effort to broaden the market for its market market for its govern-ment bonds, by packaging them into American depositary receipts (ADRs) to allow them to be traded on the New York Stock Exchange, has had a

poor reception.

According to data from the NYSE, the two separate issues of ADRs — the first ever introduced by a foreign government for its own bonds — have had only one or two trades apiece since the securities were launched with much fanfare in

September 1988.

CI-Global Partners, the US-based investment bank subsidiary of Crédit Lyonnais, architect of the securities, says that, in fact, there has been some-what more volume in the ADRs, but not much. "From a fundamental view, things are far from where we'd like them to be," concedes Mr Brad Warner of CL-Global Partners. The French Government's ADR programme is based on two of its benchmark bonds,

the OAT 9.8 per cent due 1996

and the OAT 8.5 per cent due 1997. Outstanding volumes of the two issues are about FFr44bn and FFr26bn respectively. However, Mr Warner said

the ADRs have had a poor start for a variety of reasons, has been the strength of the US dollar and the higher yields offered on US Treasuries.

The next time his firm considers launching an ADR for a foreign government's bond issues, the plan is to wait until economic fundamentals favour

diversifying out of dollar

estruments. Crédit Lyonnais is not deterred by the less than enthusiastic reception the ADRs have received at least six other governments have held serious discussions with Crédit Lyonnais about similar programmes for their own debt

securities. However, Virginia Giuffre, in charge of Citicorp's own ADR programme, said she believes the French ADR programme

Crédit Lyonnais and the depository. Bank of New York, have not marketed the securities

"The feedback we're hearing from brokers has been poor. Equity brokers, who are familiar with ADRs, don't under-stand it," she said. Citicorp, a competitor in the ADR business, is currently holding talks with three European govern-ments about designing similar programmes for their securi-

rs Giuffre said the primary buyers for the securities would be small retail investors who buy equity ADRs. After all, larger institutional investors would find it much cheaper to buy the underlying French securities outright, and small retail buyers of US government bonds are unlikely to want to diversify currencies.

Furthermore, educational materials have been scant, both for brokers who sell the product and for investors who buy them.

Mr Warner concedes that some operational hitches may have occurred at the outset of the programme that, with hindsight, could have been avoided. The bank is only now developing materials in English that calculate how the ADRs should trade relative to changes in the value of the French franc and in prices of the underlying government

bonds. Mr Warner also said the US brokerage bouses enlisted to help sell the securities had not been promoting their sale. The core broker dealers have not been doing much in the way of a marketing effort until they see the dollar falling," he said.

Also CI-Global Partners in connection with Bank of New York, is offering the ADRs for sale on a promotional basis on a zero premium over the value of the underlying bonds. At this rate, the two banks are absorbing the cost of assembling the securities, letting investors have all the advantages of the ADRs at no cost.

# Cedel claims market share rise

By Andrew Freeman

CEDEL, the international securities clearing house set up in Luxembourg in 1970 by a consortium of banks, claimed yesterday that it had significantly increased its market

share last year. In view of the overall stagnation of turnover, this was mostly at the expense of its Brussels-based competitor,

According to operating fig-ures released ahead of Cedel's financial results due on February 8, the company saw a 13 per cent increase in users of its settlements service to 2,251 and a 15 per cent increase in the number of transactions settled

to just under 5m.
The value of transactions settled through Cedel's systems increased by more than 10 per cent last year to \$1,718bn.

The value of securities deposited rose by 34 per cent to By contrast, Euro-clear'e

to 2,456 participants, while its transaction turnover feil from well over 7m to 6.7m. Despite this, it remains easily the larger of the two compa-

nies, with turnover of \$2,910bn and some \$610bn of securities held for clients. Cedel'e performance compares favourably with data compiled by the Association of

International Bond Dealers (AIBD), which show that the volumes in the market as a whole stagnated through the same period.

Both compenies have diversified over the last few years,

offering settlement in a range of instruments as the imporbusinese hae gradually Euro-clear'e chairman con-

firmed yesterday that second-ary trading of Eurobonds lined in 1988, but said that this was more than offset by increases in other areas. Mr Edmond Israel, Cedel's user group rose by 10 per cent, chairman, agreed: "The policy of diversification followed in the last few years has resulted in an excellent performance in

One area of expansion which is seen as particularly signifi-cant is the 10 per cent growth in Cedel'e bond lending activi-

The service cases settlement problems by allowing investors to borrow securities to meet liabilities and is highly profit-able for the lender and the clearing house which acts as

Cedel reports steadily increasing demand and daily turnover peaking at more than Its service is felt by many

investors to offer more flexible facilities for raising cash collateral than the fixed system used by Euro-clear, making borrowing cheaper. Nevertheless, Euro-clear is

currently the more significant presence in the securities lending husiness, with average daily volumes running at \$2.4bn last year.

This partly reflects its client base which includes a high proportion of market-makers who tend to have more need of lending facilities.

Liquidity and ease of settlement were greatly improved by the introduction in 1987 of the ACE system, a joint project by Cedel, Euro-clear and the AIBD.

ACE, which matches and confirms trades four times a day, is said to have helped to the extent that only 5 per cent of trades are now unmatched. However, a Cedel official commented yesterday that it is hoped to reduce this figure and he said that market participants must work together to solve the problem.

Both companies have contin-ued their expansion into equi-ties settlement, Cedel processing over 2,500 different stocks last year and Euro-clear some 2,000. However, neither would provide fuller statistics.

### **LONDON MARKET STATISTICS**

	UITY GROUPS	1	hursd	ay Jan	uary 2	6 198	9	発達の	The Jan 24	Mon Jan 23	Year ago (appro
igures la	SUB-SECTIONS  parentheses show number of stocks per section	Index Mo.	Day's Change	Est. Earnings Yield% (Max.)	Gress Ofe, Yield% (Act at	Est, P/E Ratio (Net)	xď adj. 1989 to dute	Jadex No.	Index No.	Index No.	Lodes No.
	Stocks her section	1	%	Cutar	(25%)	5,62	to date	mv.	MU.	NV.	
	L 60005.(208)	866.19	. +3.0	10,82	4.12	31.33	9,32	857,43	257.86	849.33	744.4
2 Bulldla	g Materials (28)	11085,63	+6.5	11.74	4.20	10.48	9.69	1000.47	1074.30	1053.38	784.
3 Contrac	ting, Construction (39)	1605.07	+0.2	12,35	3.20	10.56	0.90	1661.77	1624L75	1577.70	1479
4 Electric	zaks (10)	2507.40	40.9	8.43	4.50	13.97	8.00	2486.13		2469.42	
5 Electro	nies (30)	1986.84		9.44	3.29 4.15	13.71	0.00	1946.81	1938.62		1599.5 389.5
	ikal Engineering (55)	452.53	+8.6	10.52	5.99	7.24	0.83		449.89	448.24	449
	and Metal Forming (7)	491.42	+8.7	11.46	4.60	10.13	0.00	487.94 284.87	284,34	487.46 281.12	278
	(17)	287.45 1456.29	+1.3	9.46	4.32	12.55	3.28	1436.91		1423.58	
	MER GROUP (LB7)	1116.77	#1.2	9.30	3.76	13.46	8.67	1103.55	1187.22	1895.47	1849.
	s and Oistillers (22)	1220.41	10.4	10.44	3.64	11.97	9.00	1215.83		1197.16	
	langfacturing (21)	1913.69	+2.3	9.06	3.79	13.83	134	990.78	996.27	998.54	256.
A Soud R	etaillee (15)	1984.61	+2.3	9.13	3.53	14.41	4.84	1942.88		1938.03	
7 Health	and Household (1.3)	1962.19	+0.8	6.84	2.76	16.76	0.20	1946.75	1967.73	1943.23	1817.
91 Leisure	(33)	1470.06		8.25	3.55	15.34	9.96	1447.35		1443.78	1208.2
1 Packag	ing & Paper (17)	572.71	10.9	9.74	4.00	12.77	0.26	567.64	569.02	568,14	496.
2 Publish	ing & Printing (18)	3529.64	+1.4	8.98	4.45	14.87	2.12	3479.20			
4 Stores	34)	749.14	+6.7	13.30	4.60	11.65	1.29	744.12	742.77	727.86	859.
5 Textile	(24)	500.15	-61	13.92	5.68	8.60	8.66	500.96	501.66	499.39	587.
	GROUPS (92)	983.21	+1.2	10.50	4.39	11.48	0.07	971.85	967.71	959.33	871.4
1 Agenck	s (18)	11170.18		8.21	2.52	15.38	0.00	1178.68		1165.63	
2 Chemic	als (22)	1121.65	+0.8	11.43	4.70	18.54	0.23	1113.19	1106.98	1094.77	1953.
3 Conglo	merates (12)	1360.59	+12	19.07	534	13.57	9.00		1349.99	1336.77	1862
	g and Transport (12)	2064.19	+1.0	9.63	4.39	11.24	0.00	2943.57 1969.88	2041.89 1053.45	2922.91 1944.63	915.3
	ne Networks (2)	1352.16	+8.8	19.98 19.54	4.65	10.79	0.00	1316.55		1294.66	
	ancous (26)				4.43					1011.02	
	TRIAL GROUP (487)	1032.28	+1.1	10,85		12.30	0.40		1020.85		932
1 011 & 6	as (13)	11875.91	+0.5	9,83	5.92	13.61	9,00		1869.88	1871.35	
9 500 SH	ARE INDEX (500)	1104.02	+1.0	10.62	4.29	12,40	8.37	1092.64	1092.99	1004L03	1004.
FINAN	CIAL GROUP (126)	724.88	+1.0		4.92	-	0.15	717.98	719.99	T14.22	660.4
7 Ranks 8	8)	729.86	+0.9	19.92	6.08	6.73	9.20	713.53	712.85	798.90	667.1
5 Insuran	ce (Life) (8)	1017.26	+0.1	-	5.30	-	0.00	1015.93		1937.07	992.
6 Insuraci	ce (Composite) (7)	570.62	+0.6	-	5.48		0.06	567.38	571.A6	564.77	513.0
	ce (Brokers) (7)	986.56	+1.8	8.87	6.57	14.86	9,00	969.14	974.00	973.10	901.4
	nt Banks (LL)	330.80	-83		4.53 2.63	22.50	0.80	331.74	331.18	328.26	350.
9 Propert	y (53)	1279.47	+1.9	5.66	5.41	13.30	8.65	1255.77	1257.74	1245.24	1026.2
Other F	Inancial (32)	371.90	+8.6	9.38			- 0.86	369.86	368.01	364.15	397.
I investm	COR, 170545 (76)	1818.82	+9.6		3.02 3.40	11.22	0.51	1003.87 616.14	1002.08 611.32	998.33 638.64	849.1 424.5
	Floance (2)	635.54	-0.1 +2.1	9.93	4.88	12.49	8.80	1339.76	1334.81	2320.99	1025.1
	s Traders (8)	1367.94									
9 ALL-SH	ARE INDEX (712)	1630.78	+1.0		4.34		8.31	1000.63		993.14	911.7
1.		factors	Day's Change	Day's High (a)	Day's Low (b)	Jan 25	.tan 24	Jan 23	Jan. 20	Jan 19	Year

FD	KED I	NTE	RES	r			Average gross Redemption yields	That Jan 26	Wed Jan 25	Year ago (approx.)
PRICE DISICES	The Jan 26	Day's change %	Wed Jan 25	nd adj. today	xd adj. 1989 to date	122	British Government Low 5 years	9.17 8.92 8.85	9.19 8.89 8.82	8.71
			118.94		1.20 1.35	6	Medium 5 years	18.14 9.39 9.04	18.23 9.37 9.82	9.24 9.41 9.29
2 5-15 years 3 Over 15 years 4 irredeemables	171.76	-0.19 -0.33	136.05 150.29 172.32	-	0.00 5.00	189	liigh 5 years	20.39 9.54 9.07 8.87	19.38 9.53 9.07 8.84	9,32 9,56 9,31 9,85
5 Ali stocks			133.57 131.43		0.00	u	Index-Linked Inflation rate 5% Syrs. Inflation rate 5% Over 5 yrs.	3.59	3.54 3.67	2.35 3.95
7 Over 5 years 8 All stocks	128.59	-0.07	128.68 128.70	-	9.42 9.38	13 14	Inflation rate 10% 5 yrs. Inflation rate 10% Over 5 yrs.	2.71 3.51	2.66 3.50	1.40 3.78
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# Rank entertains City as advance to £255m exceeds expectations

RANK ORGANISATION, the leisure and entertainment group, yesterday announced a 22 per cent rise in pre-tax profits to £255.1m for the year to October 31. Turnover rose 23 per cent from £668.4m to

The results exceeded City expectations and the share price rose by 30p to 783p.
All operating divisions

posted higher profits with the exception of Precision Industries where trading profits fell from £12m to £7.4m. This resulted from a £2.1m loss at

Strand Lighting.

Mr Michael Gifford, chief executive, said that its operating inefficiencies were being overcome and it was expected to return to profit this year. The breakdown of trading profits was as follows: film and television services £25.7m (£16m); bolidays and recreation £57.8m (£43.6m); hotels and catering £18.5m (£16.6m); preci-sion industries £7.4m (£12m) and leisure developments £18m

After a valuation of the group's botel properties, a sur-plus of £209.2m was added to shareholders's funds. Net assets per share increased from

A total of £320m was spent during the year in acquisitions, capital expenditure and the repayment of preference shares. Net borrowings at the yesr end were £328.1m (£122.7m). Interest costs rose

STRONG ORGANIC growth throughout all its\_divisions

enabled Goodhead Group, the

printer and free newspaper publisher, to lift taxable profits

88 per cent from £1.44m to £2.7m in the six months to

£30.41m (£23.51m). Mr Colin Rosser, chairman, said that profit margins had been raised

to 8.9 per cent of turnover, an

improvement of 46 per cent

over the same period in

The print division, still the

Sales expanded 29 per cent to

end-November.

Organic growth prompts

88% rise at Goodhead



chairman: good growth in most divisions.

from £10.2m to £18.9m, fuelled by the costs of acquisitions. New ventures last year included the multi-leisure development at Stoke Festival Park, the opening of the Hilton Park Motor Lodge and Texacana Restaurants, together with new production facilities at Rank Brimar, Modernisation and refurbishment continued at Butlin's Holiday Worlds, Haven Leisure, Top Rank Cluhs, Odeon Cinemas and

Rank Hotels.

Rank said that it intended to add value and expand its leisure related business, particularly in the US.

main contributor to turnover

and profits, currently has a strong order book, while pub-

lishing, he said, had made "great strides", although there was still scope for savings in

production costs over the next

Goodhead's design division

had experienced considerable

growth, while the paper opera-tion had secured its first

agency to market paper from

Earnings per 20p share rose to 13p (8.6p) and the interim dividend is lifted to 1.75p (1.5p).

Canada in the UK.

two years.

Rank's share of pre-tax profits from Rank Xerox increased to £150.5m compared with £118.2m from all associated companies in 1987. Mr Gifford said that these results included about £10m-£15m of non-recurring items resulting from its pensions accounting and from a high level of exports from Europe to the US.

Earnings per share increased from 58.2p to 72.5p. A recom-mended final dividend of 17.75p per share makes a total of 26.25p (21.75p) for the year. A Kershaw & Sons, which holds 40 per cent of the ordi-nary share capital of Rank Precision Industries (Holdings) the indirect owner of half the group's interest in Rank Xerox
- increased its investment income by 27 per cent to \$8.36m (£6.57m).

Earnings per share increased from 18.5p to 23.7p. A final dividend of 16.25p is proposed, giv-ing a total of 22.25p (18.5p) for the year.

**O COMMENT** 

Rank is something of a market oddity: it has produced five years of earnings growth of more than 20 per cent, yet its shares trade at a 10 per cent discount to the market. Growth in the current year should be at least in the high should be at least in the high teens, with the managed businesses faring better than the inimitable Rank Xerox for once, While demand for copiers looks strong, the £10 to £15m of pension holidays and other usual items that boosted last year are unlikely to be repeated. On the other hand repeated. On the other hand, this year should see a swing into profit at Strand Lighting, and further progress from last years two medium sized US acquisitions. Still, the rise in the share price yesterday that greeted such prospects did lit-tle more than reverse the damage that unfounded rights issne rumours had done the previous year. With gearing at less than 40 per cent, and future acquisitions likely to be of manageable size, the rights risk looks small.

# Omnitech back in the black at year-end

developer of packaging machines and systems which joined the USM in 1986 to raise funds to develop Omnitrac, its horizontal wrapping machine, moved into the black in the year to the end of July 1988. The turnround from pre-tax

losses of £259,800 to profits of £18,000 was in part due to the fall in written-off research and development costs from £190,700 to £25,400.

Turnover for the year was £126,800 (nil) and gross profits £76,100 (nil). Administration

costs accounted for £74,700 (£58,100). There was an exceptional credit of £27,100 (nil) which

arose in respect of disputed research and development costs, provided in the profit and loss secount of the year to July 31 1987, which proved to

Earnings per 1p share were 0.1p (losses 1.44p). The chairman said that discussions were being pursued which, if snccessful, would help expand the company's capability and profitability.

# The Rank Organisation

1988 Results

Profit before tax	1988 £255.1m	Increase on 1987 +22%
Earnings per share	72.6p	+25%
Ordinary dividend	26.25p	+21%

The abridged profit and loss account for the year ended 31st October 1988 is an extract from the Report & Acco which will be filed with the Registrar of Companies upon which the audisors have given an unqualified re-

**Another year of progress** 



The 1988 Report & Accounts will be posted to shareholders on 16th February 1989. Copies may be obtained from the Secretary, The Rank Organisation Pic. 6 Connaught Place, London W2 2EZ.

# TIP makes £28m agreed offer for CSL

By Fiona Thompson

TIP, the trailer rental group, has made a £28.1m recom-mended offer for CSL, the USM-quoted truck and trailer

hire and commercial vehicle servicing group: TIP rents trailers to custom-ers in the manufacturing, dis-tribution, transport, shipping and rail industries. It operates a fleet of over 13,000 high specification trailers from 57 locations in nine European

In the year to July 31 1988, TIP made pre-tax profits of £9m, and at that date net assets amounted to £37.3m. CSL's fleet includes 2,200 trailers and 185 commercial vehicles, of which 150 are high premium articulated tractor units. It operates 12 service

outlets. CSL reported pre-tax profits of £1.5m for the year ended December 31 1987 and £725,000 for the six months ended June 30 1988. Net tangible assets at December 31 1987

were £5m.
In addition, CSL owns investment properties which should, under the terms of the offer, have a current aggregate market value of not less than 57m. It is one of the conditions of the offer that TIP receives an independent valuer's report

to this effect.
"The acquisition of CSL is another important step in con-solidating TIP's presence in the trailer rental market," said Mr Jim Cleary, TIP's chair-man CSL's particular strength is in the north of England and

the Midlands.
Last month TIP acquired the
Cetem/ITR group in Holland and Belgium.

Merchant bank Kleinwort Benson will, on behalf of TIP, offer 100 new TIP ordinary shares of 5p each for every 121 fully paid CSL ordinary shares of 10p each. The cash alternative is 156p per share for all or any new TIP shares to which accepting shareholders are entitled.
TIP has received irrevocable

undertakings to accept the offer from shareholders representing 38 per cent of CSL. At last night's TIP share price of 165p, the offer values each CSL share at 136p. CSL shares closed 23p up last night at 131p.

### Avis Europe buys remaining Locadif shares By John Thornhill

Avis Europe, the car leasing and rental group, has exer-cised its option to buy the outstanding 22.3 per cent of Locadif still held by Lease International, the financial consortium headed by D'Ieteren, the Belgian motor distributor and financial group.

The option was granted in October 1987, when Avis Europe increased its stake in the company to 77.7 per cent with the purchase of an additional 44.4 per cent.
The total consideration for

the remaining shares is BFr 896.66m (£14.36m) via the issue of 4.05m new Avis Europe shares at 355p each. Locadif is the holding com-pany for a group of seven Bel-gian vehicle leasing and rental companies. About 75 per cent of the group's turnover comes from its leasing activities. The group operates from

around 100 stations through-out Belgium and has some 1,800 leasing customers. Net assets of the group at Febru-ary 29 1988 were BFr 453m exchange rate).

### Simon Engineering

on Engineering is paying £650,000 cash to acquire the controls division of the electrical equipment manufacturer Parmeko. The division speci-alises in airfield lighting control equipment and has annual sales of £1m. The new business

CORRECTION

**Waterford Glass** Wedgwood's pre-tax profits for 1986 were £19.49m, not £5.2m as stated in our January 26 report on Waterford Glass.

**BOARD MEETINGS** 

Jan. 31 Feb. 6 Feb. 14 Feb. 1 Jun. 31 Feb. 1

# SAUR increases water bids and shuts door on Southern

SAUR Water Services vesterday won two more statutory water companies in the south east of England with increased bids.

The victory shuts out a

counter-hid for West Kent from Southern Water Authority and its joint venture partner, and prevents a hostile bid being tabled for Mid-Sussex.

The French group - a sub-sidiary of Bouygues, the con-struction and service company - is poised to declare its agreed offers for the two water companies unconditional, having won over three key institu-tional shareholders in each

In grees where water is sup-

plied by the UK's 29 statutory water companies, the 10 public authorities only deal with waste water. Southern and its partner, Associated Insurance Pension Fund – a vehicle for panies in Southern's area by keeping large minority stakes. Mr David Gadbnry, Southern's head of planning,

Mr Duncan Saville, a Sydneybased investor - now hope to retain influence over the comyesterday said: "We have no intention of being obstructive

from bids by the Government's

for the sake of it, but if we feel that by sitting in there with a significant stake we can insure that customers' interests are adequately safeguarded then we shall hang on."

Southern and AIPF could use their stakes to prevent the companies converting to public limited companies after flotation of the 10 water authorities in autumn.

In the last few days, SAUR has had to increase the total offered for companies in and around Southern's area by 17 per cent to nearly £100m, both to counter the Southern/AIPF strategy and persuade intransi-gent institutional shareholders commit

SAUR's bid for Mid Southern Water, which is outside Southern's region, was increased on Wednesday and closes on February

Apart from Portsmouth, which is controlled by its own pension fund, only one company in Southern's area — Mid Kent — is now independent of control by French water sup-pliers. Mid Kent is sheltered

new restrictions on water industry merger policy. Mid-Sussex, West Kent and Mid-Susser, West Kent and
Eastbourne are controlled by
SAUR, and Folkestone by Compagnic Générale des Eaux,
France's largest water supplier. Southern and AIPF
together hold more than 25 per
cent of each of the four compa-

SAUR increased its bid for Mid-Sussex to £130 for each £10 nominal of voting stock— valuing the company at £16.8m, against the original hid

of £13m.

The bid for West Kent was raised to £300 for each £10 of voting stock — a total of £7.4m (£5.23m) for the whole company — compared with £335 offered by Southern/AIPF.

About 50.7 per cent of the votes in West Kent and 56.7 per cent of the Mid-Sussex voting capital have been committed to SAUR. of £13m

SAUR.
In the last year bids have been launched for 14 of the UK's private water companies, all but two from three Freigh water suppliers, sparking political controversy in the run-up to privatisation of the much larger water authorities.

# US limits Domino to 14% rise

DOMINO PRINTING Sciences, the ink jet printing specialist burdened with a troubled US subsidiary, posted pre-tax profits 14 per cent higher at £5.12m for the year to end-October 1988 on turnover up from

£21.4m to £32.83m. But earnings per share fell from 20.12p to 17.95p, reflecting the impact of Domino's 1-for-2 rights issue in July 1987 which financed the £23.1m purchase of its former US distributor, now called Domino Amjet Inc. As expected after a warning

last October from Domino, the US company, which was alleg-edly producing sub-standard products and selling them through an inexperienced sales team, reported disappointing operating profits of £537,000 on

sales of £9.7m.

Domino said that, having now taken the matter in hand, it believed it had solved the quality problem and was work-ing on the sales force, as well as trying to win back disillu-

"But we're not predicting any miracles," warned Mr Alan Barrell, Domino managing director who also became amounted to £100,000. chairman after the resignation of Mr Graeme Minto last autumn. This year US sales

would be higher, especially as Amjet has moved. However, Domino, which makes 77 per cent of its sales outside the UK and has subsidiaries in West Germany and The Netherlands, had seen encouraging growth in other areas. European sales had risen by 88 per cent and in by

should improve but costs

Japan by 40 per cent.
Despite the heavy outlay on new headquarters in Cambridgeshire, Domino ended the year with £600,000 in cash. But it expected to become slightly

geared this year.

Mr Barrell sald a rise in selling and distribution costs to £5.45m (£3.1m) partly reflected The adverse currency effect on operating profits of Domino.

which is exposed only to the dollar, D-Mark and guilder,

Other operating income fell to £5,000 (£360,000) reflecting loss of royalty payments after acquiring Domino Inkjet. Interest receivable stood at £357,000 (£174,000). Tax took £1,53m (£1,27m). A recommended final dividend of 2.1p makes 3.6p (2.9p) for the year.

**COMMENT** 

Domino shares shed 7p to 215p yesterday on disappointed hopes that a more encouraging message would emerge along with these results, which were in line with downgraded expectations. Though the picture in the rest of the world is quite rosy, the market still needs convincing that the recovery his the US is really underway and Mr Barrell was not giving any hostages to fortune yestarday. Pre-tax profits of about 26m look attainable, giving a pe of around 10.25. The shares are a hold.

No wine

# TGI goes quadraphonic through Audix

TGL the audio and consumer electronics company compris-ing Goodmans, Mordaunt-Short and Tannoy, is acquiring a fourth leg with the £2.24m purchase of the Audix companies, makers of public address and hroadcasting equipment,

writes Clare Pearson. Mr Terry Bennett, TGI chairman, said the purchase was part of a strategy to strengthen manufacturing in areas not directly linked to consumer

spending. He said it would provide a useful addition to Tannoy's interests in professional loudspeakers, and the Tannoy brand name would be introduced to some of Audix's prod-The consideration is being

rate consideration is being satisfied as to £2.04m by the issue of 1.55m ordinary shares, of which 1.22m have been placed, and the balance in loan

There will be a further pay-

ment of up to £1m linked by a formula to profits in the 17 months to end-March next year. In its last financial year, Audix made £548,000 pre-tax on

sales of £4.14m. TGI, whose products include in-car hi-fi systems, microwave ovens and small television sets, said profits were currently in line with budget despite higher UK interest rates. Pre-tax profits were £1.64m (£1.05m) for the six months to end-September.

# SCHRODER GLOBAL TRUST PLC



HE Annual General Meeting was held at 36 Old Jewry, London EC2, on Thursday 26 January 1989.

The following are extracts from the Report and Accounts for the year ended 31 October 1988.

	1000	A Committee of		
r Ordinary Share		1988	1987	Change
arnings ividends let Assets	:	4.99p 4.60p	4.63p 4.40p	+7.8%
	( a) Y	270.3p		+13.2%

To achieve the best possible overall return of capital and

th of the October 1987 "Crash." I commented then that we believe that the year ahead will provide opportunities for the level-headed to capitalise upon uncertainty and find attractive investments at sensible prices."

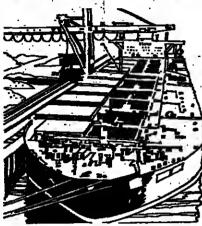
So it has proved. Over the year to end-October 1988, all major equity markets have provided a Schroder significant positive return, so that the net Investment asservalue of the Company's shares was up Management 13.2% for the period.

MANAGEO BY SCHRODER INVESTMENT MANAGEMENT LEMITED If you would like a copy of the 1986 Annual Report and Accounts are return the coupon to: Schnoder Investment Management Limited, versucon Thus: Department, Freepost, 36 Old Jewry, Loudon BCER 1885.
Please send me a copy of the Schroder Global Trust 1988 Annual

# Jean Slavelable Your Company has never been in

better shape.
There was a time when I used to write the entire Review of Operations myself, but this year, when nearly all shareinolders will have seen analysts' reports on Lourho, and when the Annual Report contains pages and pages of financial information, you won't want me to tell you that Sector X has increased its profits by Z. It suffices to say, at the risk of boring you, that we haven't got a loss-maker in the Group. No wonder Lourko is attractive to

opportunity seekers who calculate that by sending the healthy Group to the breaker's yard, they could expect to get far more than the share price, and far more than the cost of an Offer for the whole Company. From the shareholders' point of view — and I am a large shareholder myself — no outside analysis of Lourho has approached the intrinsic value of the shares. Five or six nounds one above



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. COMMENT

highest market price per share was 428 pence in 1988. It does not reflect the earnings potential of the Company or its asset resources, as a quick flick through the Annual Report will show.

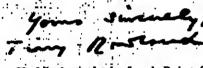
The results are yet again good enough for a bonus issue and a higher dividend, which is being paid out on the share capital increased following the A.G.M.

In this financial year, which ends in September 1989, I am far more optimistic than usual and I can tell you with confidence, after twenty-eight years with Louring during which I have not sold a single share, that the outlook is astonishingly good. It is the experienced management and

the bubbling spirit of the Group that have made it possible to build up such a magnificent set of major assets across

Hundreds of companies make up Lourno. In recent years, there has been no need for rights issues, and the Board do not expect to call for capital, or to issue new shares for acquisitions. Cash and existing facilities in excess of a billion pounds are open to Lourno, stoodd they be wanted, without recourse to shareholders.

Let's stay together and see our shares continue their strong advance with the Company. I wish I had a few more.



The following text is taken from the Review of

### MINING AND REFINING Another very successful year has been

achieved by the Group's mining division.

Precious metal production increased to a record 785,000 ounces, which is anticipated to increase to one million ounces in the current year.

New shaft and concentrating plant under construction — Western Platinum.



Platinum group metals produced at the highly efficient and low cost Western Platinum mine totalled 274,000 ounces. The new one million tonne per annum plant has now been commissioned three months ahead of schedule. Shaft sinking and extensions to smelting and refining facilities are also well advanced. Long term arrangements have been concluded for the sale, at market prices, of the major portion of the increase in output.

Andrew Saffy, the General Manager of
Western Platinum since 1972, died

suddenly in July. His contribution to achievements at the mine has been outstanding and will have a lasting effect on its operations.

A new mine, Eastern Platinum, is being established on extensive ore reserves and construction began recently of a one million tonne per annum concentrating

Group gold production improved to 511,000 ounces, as a result of the US\$160 million programme to increase the output of Ashanti by 50% over a five year period as well as the expansion of our mines in -

Structural difficulties encountered at Erfdeel have resulted in a slower build up of production than planned, but the ultimate output of 400,000 ounces per annum remains unchanged. Our interest in this project is 36%. Exploration on the other joint venture with the Anglo American Group has indicated encouraging gold values.

Our joint venture with the Government of Zambia for the mining and exclusive marketing of amethysts is progressing.

# Lonrho has never been in better shape

R W Rowland, Chief Executive

### **AGRICULTURE**

Lonrho farms and ranches two million acres of land in Africa and the United States It is the largest commercial food producer in Africa and owns 120,000 head of cattle, sales of which amounted to 25,000 head in the

Production by the Group's seven sugar factories has once again increased and sales of approximately half a million tonnes were made. The improvement in the world market prices for sugar enabled the Group to achieve

In Malawi tea sales were good, largely as a result of the recent modernisation of the factories. During the year additional hectarages of tea and coffee were planted. Production of tea was reduced to 4-7 million kilos due to bad weather.

In Kenya wattle extract sales have been more buoyant and large scale pig farming has

In Zambia Kalangwa Estates maintained its impressive growth, with exceptionally good results being achieved on irrigated crops and livestock. The yields of the dairy herd have also recorded further improvement. The newly established Power

Hire Mumbwa provided a land preparation service to local smallholders in the Mumbwa area which has secured 15,000 tonnes of seed cotton for processing at the Group's ginnery. Massey Ferguson combine harvester in East African Tunning Extract Co.'s wheat fields — Kenya,



In Zimbabwe activities were affected by two years of drought. However, timber demand increased dramatically. Lomaco in Mozambique is now firmly

established as a cotton, citrus and tomato producer, achieving good yields in these activities. The total volume of produce increased by 120% this year, although depressed cotton prices restricted growth in profitability.

The farming and ranching operations in the United States were hindered by the difficult trading conditions in the agricultural sector.



Friesian dairy cattle - part of Lourko's 120,000 head of cattle world-wide.

### HOTELS

The Princess Group was enlarged during the year by the opening of the 525 room Scottsdale Princess in Arizona and the acquisition of the 264 room Palm Springs Marquis in California. The American tourist market was

depressed in 1988 which affected the results in Bermuda and Mexico, although the Bahamas showed continued strong growth based on the casino business. The Scottsdale Princess opened during the

busy winter season and the future looks bright for this investment. The Marquis Hotel is in the process of being upgraded and, after the initial low summer season, the hotel is looking forward to the future.
In the United Kingdom the Metropole Hotel Group has once again reported record profits. The programme of upgrading facilities has continued.

Planning permission has been received for new extension to the Birmingham Metropole and work has now commenced. The extension will consist of a major new conference room and 125 bedrooms. When completed it will be by far the largest conference hotel in the country, with three major conference rooms and over 800 bedrooms. Work has also commenced on the major new extension to the London

The Birmingham Metropole was voted conference hotel of the year in two of the main hotel industry awards in the United

In Kenya the Group's hotel interests have been substantially expanded with additional accommodation being added to all hotels. On the Group's 108,000 acre ranch and game reserve, a health farm and a luxury tented camp have been opened.

The Merville Beach Hotel in Mauritius has had a very profitable year and expansion is planned soon.

### MOTOR DISTRIBUTION

Lonrho remains the largest motor distributor in the United Kingdom selling 35.000 vehicles in August alone.
Strong demand for Volkswagen and
Audi vehicles has resulted in V.A.G (UK)
selling 128,000 vehicles in the year, which
is the highest level ever achieved.

New products introduced during the year include the new stylish Volks Passat. The Corrado, Audi V8 and Audi Coupe were also launched at the recent Birmingham Motor Show.

Lonrho is the largest distributor of motor vehicles in Africa with agencies for Mercedes Benz, Toyota, Peugeot, Audi Volkswagen, Mitsubishi, Fiat, Ma Ferguson, Rover Group, General Motors and several other manufacturers.

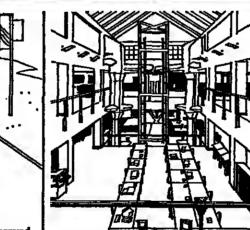
### **PRINTING AND PUBLISHING**

The Observer's new premises in Battersea were officially opened by H.R.H. Princess Alexandra in March, marking a new era in the company's history. The Observer continued to operate profitably in a highly competitive market, setting a record for display advertising and introducing

Turnover	£4,216m	£3,616m
Profit before tax	£225m	£200m
Profit attributable to shareholders	£133m	£104m
Earnings per share	30.0p	25.8p
Dividends per share	13.0p	11.1p
Cash balances	£340m	£313m

Turnover includes the Group's share of mraover of associates amounting to £949m (1987 — £603m). Earnings and dividends per share for 1987 have been adjusted for the capi

The eightieth Annual General Meeting of Lonrho Plc will be held at the Great Room, Grosvenor House, Park Lane, London, W.1. on Thursday, 30th March, 1989 at 11.45 a.m



MAN-VW's performance has improved significantly.
Dutton-Forshaw Motor Group in the

United Kingdom achieved record profits in the year. The group's five Jaguar sites contributed a substantial profit to the Group's overall results.

Watveare, in its first year of holding the Mercedes Benz tractor franchise, was awarded the silver trophy for being the best

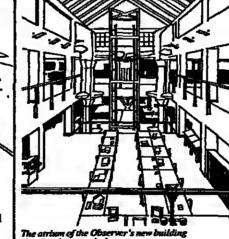
importer of the year. SEAT Concessionaires (UK) was reorganised during the year with a new management team and its head office being

relocated in Crawley.

Matermaco in Belgium celebrated the
25th anniversary of its holding the Massey

Ferguson franchise. In Kenya, Motor Mart successfully leads the market with Toyota, Mitsubishi Fuso and Massey Ferguson in prominent positions. Motor Mart has also now been awarded the Fiat Auto, Iveco and Agri

Power Equipment in Zambia recently introduced a locally assembled tractor designed for the small scale farmer.



sections for readers in the London area

and Scotland. George Outram's production on its new colour printing presses began during the year and several inroads into new colour and

inserting markets have been made, together with the successful introduction of direct input as the basis for production of the

ewspapers.
Scottish and Universal Newspapers continues to retain its position as the largest local newspaper publisher in Scotland. Harrison & Sons embarked on a new

currency printing project during the year, investing in new recess printing presses. Several major currency printing contracts have been obtained, which will set the pace for future years' production. The traditional markets of stamp printing, paper printing and general security printing have shown remarkable growth.

Greenaway · Harrison has been affected by the lower volume of business in the City following the stock market crash. Roughnecks drilling ahead on exploratory oil well -Hondo Oll & Gas, Andrews County, Texas.



Considerable progress was made during 1988 by the Group's equal venture with Mr. Robert O. Anderson, which owns nearly 81% of the American Stock Exchange listed Pauley Petroleum Inc. Pauley is one of the few independent integrated oil companies in the United States, combining substantial oil and gas reserves with significant refinery capacity

OIL AND GAS

in the highly attractive West Coast market.
Although Pauley's profitability was
adversely affected by the erosion of oil
prices, solid progress was made in both exploration and refining which will be of significant benefit in the future. Major improvements are under way at the Fletcher Refinery. Pauley participated in the drilling of 38 wells during the year and an exceptionally high 90% success rate



1987

Pauley benefited from the increase in gas prices during the year.

### **ENGINEERING**

The Firsteel Group significantly increased its profits for the year.
All companies within the steel division

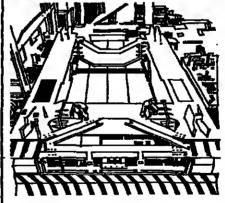
experienced a high level of demand for their products. Firsteel Metal Products, which produced over 85 million linear feet of metal this year, is currently investing in a new plant for the manufacture of decorative metal tiles for suspended ceilings.
The engineering division has continued to

widen its product base and the group has acquired TBL Fibre Optics, manufacturing optical fibres for many specialised fields. Newell Dunford entered into a licensing agreement with Nittetu of Japan for the manufacture of industrial toxic waste processing plants.

SEE were awarded a major contract in Oman for the construction of a domestic waste water treatment plant.

In Zambia the Group has acquired a majority holding io Rover Zambia, which assembles Land Rover, Toyota, Mitsubishi pick-ups and Volkswagen light commercial

W. Dahmer & Co in Zimbabwe were again very active and earned record profits. Ruhrglas encountered problems which would have restricted profitability for many years and it was therefore decided to sell the glass making operations, whilst retaining a valuable trade investment, which is carried in the balance sheet at a low value.



### TEXTILES

The second secon

During 1988 the Group's textile companies manufactured 52,300 miles of cloth.

It has been a highly profitable year for Lonrho Textiles. In the manufacturing division the major re-equipment programme is well under way. Accord exceeded profit targets and sales of ownbrand products to major retailers are growing. The acquisition in August 1988 of Wooltons, the custom made curtain manufacturer and retailer, increased the number of retail outlets in the United Kingdom to over 300 and gives excellent joint business development prospects in suitable locations.

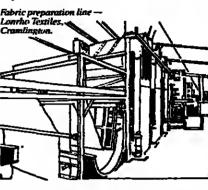
Record profits were achieved by the David Whitehead Group in Lancashire. John Barnes continued to develop a strong European customer base for industrial knitting with nearly 60% of production being exported.
David Whitehead in Malawi produced

over 28 million metres of cloth for the local

market and for export. In Zimbabwe David Whitehead increased production and sales although profitability was restricted. National Blankets produced over 3·1 million products.

The Mumbwa cotton ginnery in Zambia has processed over 16 million kilos of seed cotton in the year, achieving its maximum designed capacity.

In Botswana two new textile factories were opened in October 1988 producing cloth for



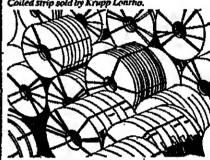
### INTERNATIONAL TRADE AND GENERAL

The Group's international trading activities were expanded during the second half of 1988 when Lonrho acquired, from Fried, Krupp GmbH, a 50% share in Krupp Handel, one of the big trading and services houses in West Germany, which operates worldwide and whose main activities are the export of steel, trading in fuel and raw materials, construction of industrial plant and the operation of a bulk shipping fleet of over three million deadweight tonnes.

The jointly owned company, now known as Krupp Lonrho, has 119 offices in 38 countries. This partnership means that Lonrho is even better prepared for the future single market of the European Community. Krupp Lonrho has traditionally good relations with the countries of Eastern

Lonrho has also extended its trading opportunitles in the Pacific Basin with the formation of Lonrho Pacific, which has offices in Tokyo and Seoul and a management team, led by Associate Director John Kato, with extensive experience of the region. Baumann Hinde, the Group's cotton

merchanting company had a profitable but more restrained year. The effects of the drought in the United States and Hurricane Gilbert temporarily distorted an overall decline in cotton prices.



The Group's property investment companies had a very successful year. substantially improving their rental income through refurbishment of existing office property. The development of the new. twenty storey, Lonrho House in Nairobi has

PJH Group has consolidated its position as the largest national distributor of kitchens, bathrooms and appliances in Europe.

Lonrho owns thirty aircraft based in a number of countries in Africa.

## FREIGHT

Kühne & Nagel, which has 400 offices in 60 countries and is owned in equal partnership with Mr. Klaus-Michael Kühne, increased its profitability in the year.

The traditional forwarding activities of Kühne & Nagel, io addition to their warehousing and distribution operations, contributed to the growth in income during 1988. The Far East and Canada performed particularly well. A substantial improvement of results was also reported by the Unimar Group's shipping agency

Kühne & Nagel's geographic expansion programme continued with joint ventures ng formed and companies acquired in

The further development of the European logistic concept, with the aim of operating local distribution networks in major European countries, has progressed.

The Kühne & Nagel air express service is being introduced in the main European countries with expected outlets in North America and the Par East. The Kühne & Nagel domestic air freight operation in the United States was further extended and now operates out of sixteen major cities.

Warehousing and distribution activities were enlarged by the expansion of storage facilities in Austria, Canada, Germany and the Netherlands.



The text is taken from the Chief Executive's Statement and Review of Operations contained in the Report and Accounts for the year ended 30 September, 1988 which will be published in late February. Copies will be available from the Secretary. Lonrho Plc, Cheapside House, 138 Cheapside, Landon, ECV 6BL.

Lonrho Plc, Cheapside House, 138 Cheapside, London, EC2V 6BL

### UK COMPANY NEWS

# IBC reaches agreement with Barham shareholder

By Clay Harris

INTERNATIONAL BUSINESS Communications (Holdings) erday reached a settlen on "strictly confidential terms" with one institutional shareolder in Barham Group who had challenged IBC's refusal to reopen the cash terms of its

in 1987.

The agreement with County
NatWest Securities on behalf
of two nominee subsidiaries
was announced in the High
Court. Together they held I per
cent of Barham ordinary
shares and 2.6 per cent of prefspace shares.

erence shares.
It gives little firm hope to any other Barham shareholder still holding out for cash that he or she will receive anything more than IBC's less attractive cash-and-share terms which are finally to be closed on Feb-

At yesterday's IBC closing price of 138p, buoyed by the

ment that it would tender In the market at 150p for up to 40 shares-and-cash offer for Bar-ham is worth 200p, still 50p short of the original cash

The Takeover Panel made it clear yesterday that IBC was free to reach any settlement with County NatWest so long as the payment did not exceed the 250p at which IBC closed when it declared the Barham bid unconditional on October 2

All shareholders had been able to choose between the terms before that time, the The interpretation of Section 430A of the Companies Act, the provision at the centre of yesterday's legal action, was a matter for the courts, not the

Although it is unlikely that yesterday's agreement between IBC and County has any direct

# A novel way of increasing the earnings

Clay Harris looks at the rationale behind IBC's plan to buy back its shares

R MICHAEL Bell plans to set an exam-ple for fellow shareenforceability. It is possible that IBC might consider holders in International Business Communications (Holdings), the newsletters and conferences group which yes-terday announced an unprece-With County now out of the way, only 0.01 per cent of Bar-ham ordinary shares and 0.07 per cent of preference shares dented plan to buy up to 40 per cent of its shares at a fixed price in the stock market.

Mr Bell, IBC's chairman and chief executive, plans to tender 30 per cent of his 3.4 per cent stake. This will raise about 1950,000 — the first time, he says, he has realised any of his investment in IBC. re outstanding.
Yesterday's settlement will
be a relief to IBC, which could
have been forced to come up
with an additional £1.7m if County had won its case and the precedent been extended to

Moreover, if the tender offer reaches its 40 per cent target, Mr Bell's own holding in the company will actually rise marginally – evidence of his confidence in the future.

It is a fine balance, but one which gives several strong clues to IBC's choice to proceed with a novel tender offer, rather than a fully-fledged bid

to take the company private through a management buy-

In TBC's view, there are several advantages to its course: With IBC ruling out buying a majority of shares — even taking into account additional purchases through existing euthority to buy in 14.9 per cent of shares — control of the company will not change. This avoids any guardeless such as avoids any suspicion, such as that voiced in some other recent buy-outs, that managers are trying to take control too

cheanly.

• A full leveraged buy-out could saddle IBC with excessive borrowings. The limited tender should allow IBC to get the advantages of higher gear-ing and enhanced earnings without creating an imbalance in the relation between debt and equity.

 Retaining a stock market hating is especially important to a company in which many

KRY DATES IN THE CREATION OF IBC 1982: Michael Bell and four other managers buy Oyez International Business Communications, a small organiser of conferences, from the Solicitors' Law Stationery Society. 1985: International Business Communications (Holdings)

1985: International Business Communications (Holdings) created by reversing into RTD Group, a quoted but loss-making Irish-based engineer.

March 1986: Stonehart Publications, publisher of Stock Market Confidential and other newsletters, bought for £5.7m.

August 1986: International Insider Publishing bought for up to £3.5m and 72 per cent of Agra Europe for £466,260; two RTD subsidiaries sold.

September 1987: Barham Group, tipsheet publisher and advertising and marketing services company, bought for costs.

March 1988: Thomas Deal, surveyor and property consultant, bought for £3.6m to combine with Barham's Teacher Marks subsidiary in preparation for stock market flotation. November 1988: Teacher Marks Deal flotation plans suspended indefinitely.

January 1989: Tender offer launched to buy in up to 40 per cent of shares.

employees own shares and have share options. However, although IBC may not be going all the way, its intention to swing towards bor-rowing and a reduction of the number of shares in issue as the best way to increase earnings has much in common with more conventional buy-outs.
Simply put, IBC believes that

the market seriously underval-ues its long-term prospects. IBC's shares have suffered since the October 1987 crash, largely because of the percep-tion that demand for its titles such as Stock Market Confiiential, Fleet Street Letter and Penny Share Guide would wane in line with individual investors' appetite for the stock market.

Ironically this turned out not to be the case. Profits from the sheets — Mr Bell calls a spade a spade, even if he might pre-fer "financial advisory publica-tions" — actually went up in 1988 from the raging bull year of 1987

of 1987.

To a large extent, this reflected costs saved through lack of promotion, while renewals ran at a healthy 60 to 65 per cent. In 1989, by contrast, IBC is budgeting for a 20 per cent decline in tipsheet profits from last year, as the profits from last year, as the promotion machine gets

tranked up again.

The fall may be smoothed, however, by a £1m provision against 1988 profits which IBC is taking for deferred promotion costs. Excluding that provisions the £12 £5m provisions. vision, the £18.25m pre-tax profits estimated yesterday for the group as whole would have looked even more healthy. Leaving aside the surprisingly buoyant performance of tipsheets last year, the impor-

and the strike rate in terms of tant thing about them is that they account for only 25 per cent of IBC's profits. Half of the number of mailshots it the total comes from "busi-ness-to-business" publications,

Share brice relative to the

FT-A Al-Share lodex

with the rest from other activi-ties, especially conferences. In an explanatory circular to be posted to shareholders today, IBC will unveil a revaluation of its titles in a pro forma balance sheet which assumes a 40 per cent take-up of the ten-

IBC

Pre~tax Profits (Em)

der offer.

Of fixed assets of £72.4m, such intangibles account for £60.8m, tangible assets for £6.6m and investments for £6m. At the bottom line, however, the balance sheet will show IBC with negative net worth of

The picture will look a bit more rosy in the spring when IBC produces its accounts for 1988. By then, IBC hopes to have included a value for its conference business, probably £12m, in the balance sheet. The valuation is based on

calculations of the worth of the division's list of past delegates

the number of mailshots it takes to convince them to attend a conference. It is an exercise which may give hightmares to believe sheet purists, who are alarmed at the uppurge in brand and other

But Mr Bell maintains it is a conservative estimate.

The Dutch publishing group Elsevier's recent acquisition of a conferences company on 14 times earnings points to a £35m value for IBC's conference business. On four times pre-tax profits, another gauge widely used for bonus schemes in the sector, the business would be worth about £18m based on an expected out-turn of £4m in 1968.

In 1988, the rental of conference mailing lists and sub-scriber rolls alone is estimated to have produced pre-tax prof-its of £350,000 for IBC. Conference lists, for example, typically raise £125 per 1,000 names for a single rental.

# Dale Electric rises to £1.19m

DALE ELECTRIC International, the generating sets and power systems manufacturer. yesterday unveiled pre-tax profits up from £861,000 to £1.19m in the six months to the end of October.

The turnover figure rose by 24 per cent to £24.2m (£19.5m), and Dale said the current order book was standing at a record

Earnings per 10p share, after a 32 per cent tax charge, are 40 per cent higher at 6.04p, but the interim divdend goes up only 14 per cent to 2p (1.75p) — although Dale said that dividend policy decisions tended to be made at the year-end stage. be made at the year-end stage. Shares in the company, which saw off an unwanted bid from Sunleigh Electronics in mid-1987, fell 8p to 118p yester-

Dale said that its generating sets business - Dale GB -fared particularly well in terms of new UK business. Orders coming through in the first half included ones from the Stock Exchange, Reuters and for stand-by facilities on the first six phases of the part City. first six phases of the new City Broadgate centre.

About 60 per cent of turn-over on the generating sets side now comes from the UK rather than exports, a reversal of the position a few years ago. This, claims the company, is a result of its current policy of seeking better margin busi-ness, rather than volume.

Overall, the French battery charging and emergency lighting companies came in on target, although Dale conceded that the Elaul business slightly underperformed expectations with the others compensating. Some rationalisation of the French operations is underway, and should be complete by the autumn.

The settlement, however, leaves unresolved the interpretation of Section 430A, which

allows the last 10 per cent of shareholders in a company being taken over to demand

the reinstatement of any terms which had been offered during

the bid, even if they had subse-quently been closed. Unlike several other bidders

The Erskine Systems subsidiary also had some problems at the start of the year, when too much work descended at once, but Dale said that the situation had been corrected and the

had been corrected and the business should be back on target in the second half. Overseas interests in Thailand and Mexico were both faring well.

At the trading level, profits were up from £1.3m to £1.58m — suggesting that the trading margin has eased very slightly — while the interest charge is little changed at £497,000 (£500,000). Dale, however, said gearing was down to 48 per gearing was down to 48 per cent, with 45 per cent proje by the year-end.

# **Hollis sells** window arm to GKN

By Andrew Hill HOLLIS INDUSTRIES, the

engineering services company bought by its management from Mr Robert Maxwell last year, has sold Hollicell, a man-ufacturer of windows and win-dow components, to GKN, the

dow components, to wate, and engineering group.

GKN will pay up to £8.8m for the business, which isbased in Kingston upon Hull.

The division, and its 89 employees, will join GKN's existing window components exhautions.

subsidiary, BKL Extrusions. Two weeks ago, Hollis announced the break-up and sale of Stothert & Pitt, the well-known Bath crane maker, with the loss of up to 350 jobs. The closure is expected to release Stothert's valuable 15-

acre site in Bath for redevelop-

fund repayments on the £60m bank loan Hollis negotiated for last July's £105m buy-out. Since the buy-out, Hollis sales have included: Milthorp, a refurbished printing and packaging business, to its management and Hollis Tim-ber, a hardwood and materials

# Tranwood surges to over £4m

TRANWOOD, the USM-quoted financial services group run by Mr Peter Earl and Mr Nick Oppenheim, yesterday reported a pre-tax profit of £4.28m in the year to end-December.
This contrasts with a figure

of just £559,000 in 1987. It also compares with the £444,000 which the businesses contributed to Bear Brand, ahead of their "demerger" in mid-1988, The split of the former fully-listed Tranwood Group took

business remained in the fully-

listed company, which changed its name to Bear Brand. The financial services companies moved to a new USM company, taking on the Tranwood name. Yesterday, Mr Earl said that the extremely sharp second-half progress was largely a reflection of the way that corporate finance fees had occurred over the year, and

investment profits towards the Within the pre-tax total, corporate finance made £3.17m

(£634,000); the Ariel stockbrokloss); and financial commun-ciations, £29,000 (£2,000). Investment profits added another £938,000. Net interest receivable, within the pre-tax figure, was £475,000 (£39,000). The company says that it acted in deals with total value of over £540m.

also to the realisation of some Fully-dilnted earnings per share were 2.94p and there is a dividend of 1.5p a share. Yesterday, Tranwood shares gained 1%p to 35p.

Hodgson's quoted rival, Great Southern Group, already operates a joint venture, Cho-sen Heritage, with the charity Age Concern.

Under the scheme, launched

two years ago, subscribers are guaranteed a funeral at a fixed

price, paid in monthly instal-

Age Concern, which became involved last April, sends infor-mation on the scheme to its

Park Place Finance

Park Place Finance Limited

York Trust Group plc

£30,000,000

Revolving Credit Facility

the funeral.

local groups.

# TI makes **further** divestment

By Clare Pearson

TI GROUP, the specialist engineering concern, has made; a further, if modest, move in its programme of divestments with the £4m sale of two subsidiaries, Dartec and Rosand

Precision.

The purchasing company,
Polytest, was founded by the
twomanagements, though its
chief executive, Mr Chris Dalley, has been brought in from outside. He was formerly general manager for Europe at Mars Electronics.

involved in various kinds of testing. Polytest is backed by Lloyds Development Capital. Earlier this month. TI

announced the sale of three US subsidiaries for £48m in a deal which virtually eliminated its

# **IWP International**

IWP INTERNATIONAL has agreed the purchase of New Era Group for an initial 125m (£4.1m) in shares and cash. Further consideration of up to 123m may be payable dependent of New Era profits.

### **DIVIDENDS ANNOUNCED** Date of payment payment 19 4.25 11.882 10.849 6.823 2.1 2.64 1.75† 11.6 3.45 16.25 2t 5.3 1.65 1.95 17.75 1.5 4.25 Mar 31 26.25 1.5 6.25 21.75 0.5% 5.4 6.95 Apr 6

Dividends shown pence per share not except where otherwise stated \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §SUnquoted stock. †Third market. \*Includes special 1p payment. \*\*Dividend for previous Tran-

### Blenheim in £8.1m French acquisitions

By David Waller

BLENHEIM EXHIBITIONS, the acquisition-minded conference and exhibitions organiser, is expanding its operations in France with the FFr 90m (28.1m) purchase of Sopros and Les Nouvelles du Monde, two related Paris-based companies.

The two companies, which specialise in publishing trade magazines and organising conferences such as the Equip'hotel for the hotel trade, made combined pre-tax profits of FFr 4.2m last year on turnover of

The acquisitions are being paid for by the issue to the vendors of 1.18m new Blenheim shares, leaving them with 7.2 per cent of the company's enlarged equity.

### Hodgson plans financial services links HODGSON HOLDINGS, the Such a deal would enable the viding financial advice to the funeral director to continue its bereaved both before and after

aggressive acquisition pro-

gramme without having to call on shareholders for cash.

Neither B&C Ventures, the development capital subsidiary

of British & Commonwealth,

nor Hodgson would comment

services package, Dignity in Destiny, and the restructuring will be announced formally on

February 7. The joint venture with Colonial Mutual and Help the Aged will be aimed at pro-

The long-awaited financial

By Andrew Hill

UK's largest quoted funeral director, is to link up with Colonial Mutual Life Assurance Society, Help the Aged and British & Commonwealth Holdings to offer financial services to the bereaved and elderly.

The funeral company, which is quoted on the USM but

This should raise money to should move to a full listing shortly, is also planning significant restructuring of the com-pany, which could involve a cash injection from a larger

Argyle moves up 28% to £1.42m Argyle Trust, financial services group, reported pre-tax profits for 1988 ahead by 28 per cent to £1.42m, against £1.11m. The result was achieved on income

(£228,000) earnings per share

were 4.43p (4.12p). Directors are recommending a single final £1.42m, against £1.11m. The result was achieved on income up from £5.72m to £7.99m.

After tax of £475,000 Special for the construction a single final payment of 4p (3p).

During the year advances to customers rose by more than 80 per cent to £60.5m.

# Optical and Medical in 59% growth to £3.2m

September turnover rose from £19.03m to £27.69m, an increase

After tax of £1.05m (£552,00) earnings per 5p share were 5p (4.6p). The interim dividend is being raised to 1.65p (1.5p).

Mr Wensley Haydon-Baillie, chairman, said that he still

and other high technology products away from lower technology areas.

# OPTICAL and Medical International reported interim pre-tax profits ahead by 59 per cent at 23.19m, against 22m. In the six months to the end of September turnover rose from Designs to extend the technical reported in the six months to the end of September turnover rose from Designs to extend the technical reported in the six months to the end of the period the group had bought and BBK Designs to extend the technical reported interim ties for investment and acquired there were opportunities for investment and acquired the group had bought to be investment and acquired the group had be investment and acquir

After tax of £1.05m (£692.000)

services activities and Phoenix Dental Castings.

He added that in Omitec Electro-Optics the activities had been refocused on avionics

# **COMPANY NEWS IN BRIEF**

DEAN & BOWES Group has tockbroker in addition to its existing role as corporate finance adviser to the group. EXCALIBUR JEWELLERY is changing its name to Excalibur

FLEXTECH is selling its interest in Collexip, the French flexible pipe maker, to Société de Banque Occidentale for FFr 27m (\$2.4m), HEYWOOD WILLIAMS has acquired Hall and Hamer (Aluminium) for an initial £300,000 in 109,488 shares; there is a maximum additional £300,000 cash payable depending on turnover. Hall and Hamer

makes and instals shop front-

ages principally for petrol sta-tions. In 1988 pre-tax profits were £189,000 on turnover PICT PETROLEUM has sold interests of between 13 per

cent and 20.25 per cent in nine cent and 20.25 per cent in nine onshore oil and gas exploration licences in Yorkshire to Tullow Oil, satisfied by the issue of im new ordinary and a retained net profit interest to Pict. A further consideration of im

REPLEX INVESTMENTS has acquired Camborn Computer Brokers for £1.42m, comprising £568,000 in cash with the halance via the issue of 774,546 ordinary sharee. Camborn achieved pre-tax profits of £265,000 (adjusted) for the year to February 28 1988 and £278,000 for the nine months to end-November. Net assets

end-November. Net assets being acquired total £216,000.

shares is dependent on planning approval.
QUESTER CAPITAL Management has raised additional equity of £1.5m to fund further expansion of its soft furnishing retailing subsidiary, Quester Capital Management. REPLEX INVESTMENTS has

NM Rothschild & Sons Limited Provided by Midland Bank plc NM Rothschild & Sons Limited Brown, Shipley & Co. Limited Canadian Imperial Bank of Commerce

NatWest Investment Bank Limited Standard Chartered Merchant Bank Limited

Henry Ansbacher & Co. Limited Singer & Friedlander Limited



NM Rothschild & Sons Limited

January, 1989

Royal Trust Bank

Allied Irish Banks p.l.c.

Yorkshire Bank PLC

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares.

This advertisement has been approved by Jacobson Townsley & Co for the purposes of Section 57 of the Financial Services Act 1986.

Application has been made to the Council of The International Stock Exchange for the grant of permission to trade in the Ordinary Shares of the Company on the Third Market. It is emphasised that no application has been made for these securities to be admitted to Listing or to be dealt in in the Unlisted Securities Market.

Transactions in the Ordinary Shares of the Company will be effected in accordance with the rules and regulations governing the Third Market of The International Stock Exchange. This investment carries a high degree of risk.

### PODDINGTON PLC

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6,000,000 Ordinary Shares of 5p each at 20p per share to be traded on the THIRD MARKET

Share Capital **Authorised** 

Issued and to be issued fully paid

£1,100,000 Ordinary Shares of 5p each Dealings In the Ordinary Shares of the Company are expected to commence on the Third Market on Monday, 30th January, 1989.

Copies of the particulars of the Company have been circulated in the Extel Financial Third Market service and are available until 13th February, 1989 from the registered office of the Company, Boscombe House, Boscombe Road, Southend-

**JACOBSON TOWNSLEY & CO** 

MEMBERS OF THE INTERNATIONAL STOCK EXCHANGE MEMBERS OF THE SECUSITIES ASSOCIATION

44 WORSHIP STREET LONDON EC2A 2JT

# Taylor confident of share placing

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in the Comment

executive of UK construction group Taylor Woodrly said yesterday that he was confident" that the 10 per can holding which has ended inin the hands of Hoare Govet and Hambros, would be pixed at some stare.

Fambros, would be pized at some stage.

Putting a fairly philosophical face on Wednesday's chacle—when Rambros and Hisre Govett hought the 9.9 ler cent interest amassed by Punisalar and Oriental Steam Nivigation for 600p a share but failed to this level, Hambros and Hoar sell this on to institutions—Govett are showing a combined loss of just under 23.5m. both those shareholders were "supportive of the board's poff cies and principles". | On the possibility of Tayl-Woodrow buying in its out shares, Sir Frank said that tit

SIR FRANK GIBE hief would only be an option at executive of UK construction preset if the price fell subgroup Taylor Woodrw said stantally further. Current yesterday that he was confiers llows the company to buy in maximum 10 per cent of itscharges at prices up to 500p. However, changing such pow-er — subject of shareholder

The 9.9 per cent stake is split equally between the two institutions, leaving them with holdings of just under 5 per cent each. House Govett acts as

stockbroker to Taylor Wood-row, as well as to P&O, while Hambros has advised both companies in the past. In the wake of the P&O stakebuild-ing, however, Taylor Woodrow appointed Schroder Wagg as its merchant bank, while retaining a relationship with Hambros.

Hambros. Yesterday, Sir Frank did not seem unduly concerned at any potential conflict of interest arising for Hoare Govett. In response to questions over whether Wednesday's events might necessitate the appointment of any other brokers, he stressed that Taylor Woodrow regarded Hoare Govett's shareholding role as "a short-term situation".
Asking whether any undergiven that the shares would not go to one unfriendly source, Sir Frank said only that he was confident that they would not be sold to a single

Yesterday, both Houre Gov-ett and Hambros were inclined to back Sir Frank's view. "Obviously as brokers to the company we will act in its best toterests," said Hoare, adding that "everything will be done in as nice a way as possible."

Hambros commeuted, "we certainly do not intend to sell to a single buyer". It added that the stock had been split around different parts of the bank, but remained entirely beneficially owned and had not been passed into any funds under management

West Trust

to £29,000

reduces losses

Reduced pre-tax losses of £29,000 were announced by West Trust, Rochdale-based

yarn merchant, investment dealer and financial services

company, for the half year to September 30 1988. Comparable losses amounted to £317,000.

The directors said that measures had been taken to rectify the situation of Associated Spinners which incurred a loss. The newly-acquired companies, Indo African Exports, Ken

Moore and Ashmoor (Textiles) would contribute to the full

year results and prospects for

the group were very encouraging, they added.

Biotechnology Investments

Biotechnology

# Hill & Smith advances 58%

HILL & SMITH Holings, which has interests i steel stockholding, fabricate products and drop forging yesterday amnounced a 58 er cent rise in pre-tax profs from £3.5m to £5.52m for £5 year to September 30. urnover increased by 34 per-ent from £37.64m to £56.57m increased by 34 per ent from expenditure on motorways and 237.04m to £49.57m.

The company sal that the affect the fabrications division,

current year had started well with a rise in turnover and profit in each of its three divi-

It predicted an excellent year ahead, particularly as last year's cutbacks in public

which makes, among other things, road safety barriers and fencing.

takings or assurances had been

Earnings per share advanced 58 per cent from 13.73p to 21.75p. A final dividend of 3.45p per share was proposed, making a total of 5p for the year — a 26 per cent increase. A 1-for-5 scrip issue was declared. The share price rose 5p to 231p.

# Mystery approach for Splash

SPLASH PROUCTS, the T-shirt printerand character merchandiser; as received an unexpected and unsolicited approach whin could lead to a hid for the empany.

Shares in plash, quoted on the Unlister Securities Market, rose 5p to 19 yesterday, valuing the whole company at about \$12x. about £12r-

Munton rights

Munton From rights issue was monon aroup rights asses was taken to in respect of 8.86m ordinar (803 per cent). The balanc was sold in the market. \*\*artmore Investment acquied on behalf of clients acqueed on behalf of chems 2.69m new ordinary shares. Togener with the 2.87m new ordinary already held for cli-ents this brings the total hold-ing to 5.57m (15.84 per cent).

Philip Harris.....

WINTRUST

**Earnings** 

to 15.42p

ahead 14%

WINTRUST, the London-based merchant bank, reported

pre-tax profits up from £2.08m to £2.34m in the six months

to end-September 1988.

Earnings moved ahead by
14 per cent to 15.42p per 20p
share, and the interim

was at record levels. He added that

and 54% of deposits.

notwithstanding this, the

balance sheet remained extremely strong with liquid assets at 45% of total assets

share, and the interim dividend is lifted to 2.5p (2.25p). Mr Richard D Sapiro, managing director, said activity levels were growing substantially and new business

Philip Harris Holdings has bought two chemists shops in the Cheltenham area for

That included shares issued for the recent £5m acquisition of Mobile, which could double

the enlarged group's turnover in printed garnents.

Splash refused to comment on the identity of the potential hidder yesterday, but a further announcement is expected

very soon.
The enlarged group owns a

portfolio of licences to print fictional characters on T-shirts. The characters include Garfield, the cartoon-strip cat, Roger Rabbit, cartoon hero of the film Who Framed Roger

Rabbit? and Wicked Willy.

Last week, Splash announced pre-fax profits of 2937,000 for the year to October 31, on turnover of £5.6m.

# **GrandMet in talks for** sale of US restaurants By Lisa Wood

GRAND METROPOLITAN, the UK food and drink group, is in negotiations to sell two restau-rant chains acquired in its recent \$5.7bn (£3.22bn) pur-chase of Pillsbury, the US food and Burger King restaurant

group.

GrandMet, for whom the US is an important market for its is an important market for its drinks brands; gave commitments to US regulatory authorities that it would divest Bennigan's and Steak & Ale because they sold alcoholic

drinks, Legislation in most US states prevents distillers of alcohol from owning retail out-lets that sell alcoholic drinks. GrandMet said: "We have had a large number of enquiries for the two chains

including a team proposing a management buy-out. How-ever, nabody has signed on the line yet."
The group did not disclose the asking price but industry estimates put a price tag on the chains of about \$300m.

News Digest

total net assets at November 30 stood at \$130.84m, compared with \$125.52m. Gross revenue for the six months to end-No-vember totalled \$1.54m (\$1.49m). Revenue before tax was \$191,370 (\$546,774). Earn-ings per share 0.2 cents (0.8 cents).

ASD purchase

ASD has acquired Glen Metals, Lanarkshire-based specialist sheet and plate stockholder, from John Williams of Cardiff for £800,000 cash. Following a property revaluation Glen has a net asset value of £712,000 compared with £534,000 in the end-September balance sheet.

# Aviva in £22m bid for Viking Resources

By Ray Bashford

AVIVA PETROLEUM, the of and gas investment company, is making a takeover offer for is making a takeover offer for Viking Resources Trust which values the Ivory & Sime-managed tovestment trust at £22m.

The company is offering 55p cash a share for the trust which has a portfolio of quoted UK and international oil companies and investments in US oil and gas production.

Viking shares eased 1.5p to 55.5p following the announcement of the offer.

Aviva has launched the bid

Aviva has launched the bid after purchasing a 15.2 per cent stake last year from Aus-tralian businessman Mr Alan Bond and acquiring an option sond and acquiring an option earlier this month over a fur-ther 19.06 per cent from fellow Antipodean Sir Rou Brierley. Viking yesterday advised thareholders against selling their shares and formal advice on whether the bid should be

accepted is expected next week after a full board meeting. Mr Lawrence Hockey-Sweeney, Aviva chairman, said the decision to launch the bid was

made after discussions this Turnover jumped from £314,000 to £1.01m generating an operating profit of £12,000 (£5,000 losses). Losses per 2.5p share worked through at 0.09p (£3.90) week with Viking directors.
Viking's attraction to Aviva is its participation in 200 prod-ncing wells in the US which have been acquired since Sep-tember 1986 as part of a policy to diversify away from its portfolio tovestments.

Mr Hockey-Sweeney said that if the bid was successful the majority of the portfolio, which last Tuesday was capi-talised at £15.8m, would be

However, he added that some investments would be retained and used as potential springboards for further acquisitions in a plan to develop off and gas interests in the US and UK.

Aviva was formerly Jackson Exploration which floated in 1981 before running into prob-lens related to the slide in the oil price. In November last year effective control of the company changed hands when Ferris Investments, in which Mr Hockey-Sweeney has an interest, acquired a 29.9 per cent stake.

Gt Portland issue

Great Portland Estates, the property investment company, is raising £35m by way of a further tranche of its First Mortgage Debenture Stock 2016. The proceeds will be used to finance further prop-erty investment, development and refurbishment.

same-again total of 2.6p. There

is also a special payment of

In the current year the

directors plan to introduce an

element of long-term borrowing. Although this will affect earnings in the short

term, their present intention is to maintain the dividend

Traditional first

Park Food Group, which packs and supplies hampers, reported an increase in its traditional first-half losses from £2.09m to £2.89m pre-tax in the six months to September 30 1988. Profits for the year to March 31 1988 were £2.28m. Turnover was marginally down at £15.39m £15.75m). The interim dividend is raised to 1.95p (1.70).

DERBY TRUST

rises 11%

Net asset value

The net asset value of Derby Trust capital shares was 325p per share at December 31, a rise of almost 11 per cent on

the figure of 293p prevailing a

Directors of the investment trust declared a second interim dividend on the income shares

of 6.823p making a total of 11.8824p (10.849p) for the year to end-1988.

half losses rise

total at 2.6p.

**PARK FOOD** 

# Minorco appears confident about result of MMC inquiry By Kenneth Gooding, Mining Correspondent

THE SO-CALLED "three young turks" who are executive directors of Minorco, the South African-controlled investment group, appeared confident this week that the UK Monopolies and Mergers Commission had found no reason to rule against Minorco's hostile bid for Consolidated Gold Fields, the UK-based diversified mining group.

group.

"We had no difficulties going through the MMC process. We did not go away as some people suggested we would. We look forward to the decision," said Mr Roger Phillimore, Minorco's

commercial director.

He and his colleagues, Mr
Hank Slack, the director
responsible for North America, and Mr Tony Lea, finance director, said they were heart-ened by the forthright way in which Lord Young, the UK industry secretary, had refused

to hold up publication of the MMC report until completion of a separate inquiry by his department's inspectors into possible insider trading in Gold Fields shares.

The Department of Trade and Industry said that the inspectors had produced an interim report which the MMC had studied before reporting to Lord Young.
Mr Phillimore indicated that

he believed that the MMC would concentrate solely on competition issues to its report and that there were none that would cause it to rule in a way unfavourable to Minorco. He suggested it was unlikely the MMC would take Minorco's South African parentage toto

account because it was not UK
Government policy to impose
sanctions against South Africa
or South African companies.
Minorco was also confident

that it could deal satisfactorily with any inquiry by the Euro-pean Commission, said Mr Phillimore, Minorco had already talked to the Commis-sion, and our clear impression was that it was properly

briefed".

The indications were that the MMC report would be published to four to five weeks. Mr Phillimore said that, although the decision was very important, "it is not a matter of life or death for Minorco. We have a \$3bn company with no debts and some fine assets.

This is not a Holy War for Minorco. But we feel it is per-verse that the Gold Fields board seems to feel its main toterest is to protect its shareholders from receiving an offer. Gold Fields seems to have very little trust in its shareholders and what they

### PERSONAL PENSIONS

The Financial Times proposes to publish a Survey on the above on

25th February 1989

For a full editorial synopsis and advertisement details, please contact:

Tim Davis

on 01-248-8000 ext 4181 or write to him at:

**FINANCIAL TIMES** 

On 23 January 1989

# **Ace Belmont** International plc

changed its name to

MINSTERGATE

Swinemoor Lane, Beverley, North Humberside, HU17 0LJ

# Daejan Holdings

1988 INTERIM STATEMENT Results for the half year ended 30 September 1988 — unaudited

1)	6 months	6 months
	30.9.88	30.9.87 £'000
Rent and Service Charges less Property Outgoings	6,343	5,262
Surplus on Soles of Properties and Other Income	6,445 12,788	10,711 15,973
Financing Charges and Other Expenses	2,759	2601
Group Profit before Tax	10,029	13,372
Less Toxision	3,600	4,850
Minority interests	7	10
Profit for the Half Year	£6,422	<u>\$8,512</u>
Earnings Per Share	39.41p	52.23p

Included in Surplus on Sales of Properties is an amount of £1,101,000 (1987 — £3,570,000), being prior year revolution

An Interim Dividend of 8p per share (1988—8p) will be paid on 16 March 1989 to shareholders registered on 16 February 1989. This dividend will absorb £1,304,000 (1988—£1,304,000). During the second half of the current year a major ade has been com-pleted, as a result of which profits before tax for the full year to 31 March 1989 are expected to be well above those of the previous year.

Retained profits were £1.99m, compared with £356,628, after ordinary and preference dividends totalling £415,770 (£394,638).

MOSAIC INVESTS Profits jump to

to £718,000 in the six months ended October 31 on turnover

ahead at £6.25m compared with 23.06m. The interim dividend is

to 7.82p. Since its annual meeting in October Mosaic has made five acquisitions which it expects will benefit the group in the second half. At a

£0.7m halfway Mosaic Investments, a holding company, achieved a jump in pre-taz profits from £283,000

doubled to 2p partly to reduce disparity, while earnings per 10p share improved from 4.47p

divisional level industrial products contributed operating profits of 2425,000 (£244,000) on turnover of £4.35m (£3.06m) and consumer services and products £185,000 on sales of

**LOUIS NEWMARK** Warning on full year

Louis Newmark, an electronic and precision engineer and watch distributor, experienced a £94,000 drop in pre-tax profits to £517,000 for the half year ended October 1 1988. Turnover

fell from £23.25m to £19.78m. Furthermore, the directors warned that as a consequence of the sincraft division suffering an unexpected fail-off in development income, profits for the second half might not match those for the first six

months.

Earnings amounted to 11.3p
(18.4p). The interim dividend
is held at 5.3p and the directors anticipate maintaining the total at 14.7p.

STONEHILL HLDGS **Improvement** continues

The recent improvement at Stonehill Holdings, furniture maker and property investor, continued in the six months to October 16 with a fall in the pre-tax loss from £934,000 to £396,000. Mr James Buchanan, chairman, said the results were encouraging.
Turnover fell to \$6.01m

(£7.05m) following a move into higher margin products in the manufacturing division. The

loss per share came out at 2.52p (8.98p). **WARNER ESTATE Advances 30%** to £5.78m

Warner Estate Holdings, the property investment company, raised pre-tax profits 30 per cent to £5.78m in the year to end-September. Turnover totalled £13.74m - up from £12.64m last time. Barnings per 5p share rose to 7.77p (5.98p) and a proposed final dividend of 4.25p makes

6.25p (5.4p) for the year.

An extraordinary charge of £808,000 related to substantial bad debts experienced by the builders' merchanting subsidiary which was sold during the year.

DAEJAN HOLDINGS Fall of 25% at midterm

Daejan Holdings, the property investment and trading company, reported a 25 per cent fall in group profits before tax from £13.4m to £10.03m in the six months to

After tax of £3.6m (£4.85m) earnings per share came out at 39.41p (52.23p). An unchanged interim dividend of 8p is being paid.

Directors said that during the second half a major sale had been completed, as a result of which pre-tax profits for the full year to end-March are expected to be well above last

**BIRMINGHAM MINT** Wembley site sold for £3.3m

Birmingham Mint Group is selling its Wembley factory for £3.3m, with £330,000 paid on exchange of contracts and the balance of £2.97m at

the balance of £2.97m at completion on May 31 1989.

The three-acre site was acquired in January 1987 when the group bought the electrical contacts business of Johnson Matthey, for £2.7m. The sale proceeds will used to reduce group borrowings which were increased by the reorganisation costs incurred. reorganisation costs incurred earlier in the financial year.

**FLEMING TRUST Assets and** earnings up

Net asset value per 25p ordinary share of the Fleming Fledgeling Investment Trust rose by 32.4p to 235.1p over the 12 months ended December

Available revenue for the

(£328,354), equal to earnings of 8.87p (2.16p). A final dividend of 1.6p makes a

year expanded to £486,322

**HEAVITREE BREWERY** Profits rise 12% to £1.14m

year earlier.

to concentrate on the distribution of wines and spirits, reported pre-tax profits up from £1.02m to £1.14m in the year ended October 1988. Turnover rose to £5.56m (£5.36m) and earnings per share were 45.1p (37.1p). Final dividend is 11.6p (10p) making 14p (12.4p).

Heavitree Brewery, which ceased brewing in May 1970

NOTICE OF REDEMPTION To the Holders of

J.P. Morgan & Co. Incorporated 114% Subordinated Notes Due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of February 28, 1935, under which the above-described Notes (the "Notes") were issued, and pursuant to the Terms and Conditions of the Notes, J. P. Morgan & Co. Incorporated has elected to and will redeem on February 28, 1989 (the "Redemption Date") all outstanding Notes (U.S. \$100,000,000 aggregate principal amount), at the redemption price of 101.50% of the principal amount thereof (the "Redemption Price"), plus accrued interest to the Redemption Date, Michigh which will be paid only upon presentation of the Coupons maturing on the Redemption Date, J. P. Morgan & Co. Incorporated states that all conditions precedent to the redemption of the Notes have occurred. On February 28, 1989, the Notes will become due and payable as aforesaid in such cain or currency of the United States of America es at the time of payment shall be legal tender for the payment of public and private debts. Said Notes will be paid, upon presentation and surrender thereof with, in the case of Notes in bearer form, all Coupons appertaining thereto maturing after the Redemption Date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, 10015 (for Registered Notes only), or (b) subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London or Paris, or Krediethank S. A. Luzembourgeoise in Luxembourg. J. P. Morgan Nederland N. V. in Amsterdam or Swiss Bank Corporation in Basle. Payments at the office of any paying agent outside of the United States may be made by a check drawn on a Dollar account in New York City or by transfer to a Dollar account in New York City or by transfer to a Dollar account in New York City or by transfer to a pollar account in New York City or by transfer to a pollar preadities of perjury that the payee's taxpayer identification oumber (employer identification num

Oo and after February 28, 1989, interest shall cease to accrue on the Notes, the Coupons for such interest maturing after said date shall be void, and the sole right of each holder shall be to receive the Redemption Price plus interest accrued to the Redemption Date.

J.P. MORGAN & CO. INCORPORATED

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Dated: January 27, 1989

### **COMMODITIES AND AGRICULTURE**

# Cocoa agreement talks remain in deadlock

By David Blackwell

THE INTERNATIONAL Cocoa Agreement talks last night remained in the deadlock which has left the pact effecwhich has left the pact effectively frozen for the past year.

"It's just about as farcical as it can be," said a leading consumer delegate last night. The London talks, which started on Thursday last week, are scheduled to the constitution.

Thursday last week, are scheduled to end this evening.

The bearish impact of tha talks has already been discounted in the London market, dealers said yesterday. The May contract added £8 to close at £850 a torne.

Mr Peter Barou, the normally optimistic spokesman for the consumer countries, said yesterday that he was not hopeful that progress would be

Malaysian commodity

earnings hit record

By Wong Sulong in Kuala Lumpur

EXPORTS OF Malaysian commodities last year rose by 10.5 per cent to a record 28.3bn ringgit (\$10.4bn), the Ministry of Primary Industries said in its annual review, published

Exports of non-oil

commodities were particularly strong, rising by 16 per cent over the 1987 level 19.5bn ring-

Rubber exports rose by 3.5 per cent to 1.61m tonnes, but higher prices boosted their value by nearly 32 per cent to

5.15bn ringgit.
It was a similar picture for palm oil and palm products.

Although the export volume

rose by only a relatively modest 2 per cent to 4.1m

tonnes, earnings were 36 per cent higher at 5.4bn ringgit.

timber prices also recovered,

but prices of cocoa were depressed because of the world glut,

The review said tin and

made today.
On Wednesday he said that a consumer proposal for a retrospective cut in the range of prices to be defended was "a prices to be defended was "a last effort to reactivate the agreement." But producing countries yesterday were unable to agree among themselves on the proposal.

The key issues at the talks remain unresolved. The range of prices to be defended still stands at 1485 to 2155 Special

stands at 1,485 to 2,155 Special Drawing Rights a tonne despite the fact that the ICCO indicator price has fallen to 1,064.02 SDRs a tonne. The arrears in the \$30-a-tonne levy due to the ICCO on exports and imports of cocoa have reached \$84.6m.

The buffer stock stands at

For the current year, the

ministry said it saw a "mixed" outlook. According to Dr Lim Keug Yalk, the Primary Industries Minister, prices of rubber and tin should remain

firm. Prices for palm oil were

expected to soften a little,

while prospects for cocoa remained gloomy.

Overall, we should be

# Palm oil stocks in 1988

to be gradually sold off.

MALAYSIAN palm oil stocks

Traders say the Porla figures, regarded by the industry as the most reliable, should give a boost to market sentiment, but in the longer term high stocks are expected

demand has been heightened by Procter and Gamble's recent decision to remove palm oil from the market-leading Crisco brand of vegetable shortening Malaysian palm oil officials said several other large American companies, including the McDonald's hamburger chain, were taking similar

the maximum permissible 250,000 tonnes, and the plan for a withholding scheme to take a further 120,000 tonnes from the market remains stymied by both the lack of funds avail-able and the failure to agree a defence price range.

It looks increasingly likely that the talks will end tonight only with agreement to carry on talking at the next meeting in September, a consumer dele-gate said last night. Unless producer countries start to clear their debts, the buffer stock manager, who must rotate his cocoa stocks to maintain the quality, will be almost out of money by then, and the buffer stock will have

# rose 55 per cent

rose 55 per cent last year, according to the Palm Oil Reg-istration and Licensing Board However, the board's end-De-cember figure of 785,000 tomes was well below an earlier esti-mate of 900,000 to 950,000 tonnes claimed by the Palm Oil Refiners Association (Poram).

getting more money for our commodity exports for this year, but the increase would not be as buoyant as the past two years," Dr Lim suggested. He expressed great confi-dence in the export prospects for Malaysian palm oil, to push prices lower. Meanwhile concern about US because it was the cheapest vegetable oil in the world, but added that the Government

# Banana producers anxious about 1992

Canute James studies the implications of the EC's single market for the Caribbean

ARIBBEAN countries, which supply about seven out of every ten hananas esten in Britain, have been reassured by the UK Government that their preferential access will be maintained after the EC dismantles internal trade barriers at the end of

The undertaking, given this month by Mr Christopher Pat-ten, the Overseas Development Minister, has brought relief to the region's producers, many of whose economies rely on special access to Britain. But there is still some uncertainty about how the British Govern-ment will be able to fulfil its

promise.

Mr Patten told producers in the Windward Islands that Britain wanted to fulfil its "long-standing commitment" to provids preferential access for bananas from the Carib-bean. "We intend to stand by our traditional suppliers," the minister said. "There should be absolutely uo doubt about that. My colleagues and I have made that clear. More important, some of you may think, Margaret Thatcher has made that clear. We all mean what we say, and say what we mean."

That assurance came after several months of increasing covered in the Caribbeau's concern in the Caribbean's

banana industry that the loss of protection after 1992 would destroy the industry, and the basis of several island economies. The region producers — the Windward Islands, the French overseas departments, Belize, Jamaica and Suriname - have combined annual exports of about 650,000 tonnes, providing a quarter of the European Community's

But the Windwards - St Lucia, St Vincent, Dominica and Grenada - are high cost producers who have only managed to ship increasing quanti-ties to the British market because more competitive fruit has been kept out. The indus-try would be wiped out if it had to compete with more cost competitive producers after

Mr Ray Hilbourns, banana sector chairman for Geest Industries, which markets the Windwards' fruit in Britain, said the group earned about \$150m from banana exports to CURRENT ARRANGEMENTS for the access of Caribbean benenas into the EC market were "sacred and untouch-able" and any change could subject growing countries to Central American-style instability, Mrs Engenia Charles, the Prime Minister of Domin-ica said this week, writes David Bnchan from Bridge-

town, Barbados.

Addressing a joint meeting of European Parliamentarians and representatives of 66 African, Caribbean and Pacific countries, Mrs Charles predicted disaster if the EC did not find some way to extend -beyond 1992 - the existing protection for ACP banana producers that is based on national subdivisions in the Community market. All such subdivisions are supposed to vanish in 1992 with the advent vanish in 1992 with the advent of the EC's single market. Speaking on behalf of all ACP producers, the Domincan Prime Minister called on the EC to maintain the "banana protocol" in the new Lomé ald and trade convention between the 12 EC states and the ACP

the UK last year. "These earnings cannot be replaced and the fear is that if we do not get the right arrangements we could see the economic col-lapse of the Windwards. These changes must be measured in terms of the potential damage to the region.

The region's concern about how the British government will deliver undertakings given by Mr Patten and his coleagues have been deepened by the more equivocal line taken by EC representatives.

"For Caribbean bananas the traditional market is the UK."

Mr Erich Wirsing, the Euro-pean Commission's director for Central and West Africa and the Caribbean, told a recent conference on Caribbean trade. "To comply with the banana protocol (of the Lome Convention on aid and trade between the EC and members of the African, Caribbean and Pacific group of countries), this mar-ket is at the moment isolated from dollar bananas. Such a situation inside the Community is not compatible - we have to be frank about this -

with the free circulation that

countries. The current Lomé Convention, expiring early next year, promises ACP benana producers no deterio-ration in their EC market

At present some 20 per cent of EC banana supplies are imported - duty free - from former UK, French, and Italian colonies. Another 25 to 30 per cent comes from within the Community itself. The remaining half comes from the so-called dollar area in Central America - some of it duty-free, as into West Germany. but the rest bearing a 20 per cent tariff.
Given Central America's

economies of scale, Mr Edwin Carrington, the ACP secretary general, told the Bridgetown meeting that, "even if all dol-lar area bananas bore a 20 per cent duty, they would still sweep all ACP banamas off the EC market." He said no alter-native solution could be found within negotiations under the General Agreement on Tariffs and Trade that would afford ACP producers benefits com-parable to those they already

1992 will bring. Consequently. tha present internal arrange ments cannot be expected to continue."

Mr Wirsing said, however, that the European Community had a commitment not to abandou the main product of certain ACP countries, as this would threaten their economic survival. "An answer has to be found. Whatever the formula will be, it is simply unthink-able that the community will not ensure the survival of tra-ditional exports from Belize, Dominica, Grenada, Jamaica, St Lucia, St Vincent and Suri-

While taking account of the assurances, Caribbean produc-ers have started work on proposals to be put to the EC to cushion the impact of cheaper dollar area fruit on the market on which they have come to depend. In meetings attended hy representatives of the Windward Islands, Jamaica, Belize, Martinique, Guadeloupe, Cameroon and the Ivory Coast, the producers have reached an agreement in principle that there will be a need to control third country access to the

enjoyed under the Lome Convention and in the EC's disting market arrangement While acknowledging he need for future diversification.

Mrs Charles stressed to Caribbean's present dept-dence on banana exports. The Windward Islands alor accounted for 90 per cent of total ACP banana exports to

500,000 tonnes a year.

She said the ACP producers had Britain's firm backing for their plea for continued EC market protection, and the francophone Caribbean pro-ducers this week emphasised their solidarity with ACP

the Community, running at

Any attempt to make Caribbean producers compete head-on in the European market with their Central Ameriket with their Central American rivals would make the former liable to the social and political illis — very low wages, political instability, even military comps — that have plagued the latter countries, Mrs Charles predicted.

She did not believe Europe wanted that. wanted that.

European banana market and for a mechanism which will fix prices at a level which will llow a fair return for even the higher cost producers. But officials already admit

But officials already admit that such proposals fly in the face of the so-called "single market" planned for the EC after 1992. Finding a way round this dilemma is clearly not easy. But for the Caribbean producers it is vital.

"Even if these dollar benanas are subject to a 20 per cent customs duty, their cost of production is sufficiently competitive to permit them to competitive to permit them to com-pete successfully with and displace Caribbean bananas from any part of the EC market," argued Mr Ray Robinson, prime minister of Trinidad and Tobago, "This aituation is even more threatening when one takes into account, as one must, the likely reduction in tha community's 'most favoured nation' duty for bananas as a result of the current Unique Pound of trade rent Uruguay Round of trade

For many Caribbean produc-ers, shifting from bananas to other crops does not provide an

econolically viable alternative. Iversilication took that and cit money, said Mr Carl Greenige, Guyana's Finance Ministr and chairmen of the ACP Cancil of Ministers. He explained that the economies of the producers were small, and the what might be countered to marginal changes in their foreign trade could have far reaching economic and social consequences.

"Our jeelings on this are trengthened by the fact the conects for diversification in e Windwards are very ima-id," Mr Patten said. "The drelopment of alternative Clos remains vital, and we we do whatever we can to

with it. But in the Windwan nothing in the Wind-abla inture could replace bands as a grown banas as a crop guarantee ing th income and employ mant'n a large scale. We know hat our commitment know hat our communicate helps testain economic and social whillty in the region becaused the vital contribution it lakes to the national incomes, the export earnings and to thrural employment of a number of countries."

"This is ry encouraging for us," said of senior St Lucian official. "A least we have a official. "Aleast we have a hambable grantee on which we can plantum industry and our econom, while implementing a pheed diversification from banas. But this will be counted the extensive deregulation observats in the Community aer 1992. We await details the British plan with some terest."

Under the Low Convention some countries an receive compensation fro the com-munity for shortfale in antici-pated hard currency inflows under a stabilisation of export earnings (Stabex) pryramme.

Mr Charles Maynar Dominica's Minister of Agrillture, reflected the mood of the region, which falls somewhere between cautious orimism and growing concern, wen he said: "We do not have o see Europe as a threat, but Europe must not put us in a poition where we continually need Sta-

# Stock valuation boosts forestry return

would not be encouraging fur-

ther expansion in the cultiva-tion of cocoa.

cing too much cocoa and we need a breather for prices to

catch up," he said.

"I feel we are already produ-

By James Buxton, Scottish Correspondent

Commission says that it beat revalued every three years — the target rate of return set by the target rate of return set by the Government for its commercial forestry activities in the last financial year. But the rate of return of more than 3 per cent which it achieved was due in part to a big increase in the value of the growing stock .

In its annual report for the year to March 31, 1988 the commission says that its forestry enterprise, which grows and sells timber, had income, mainly from timber sales, of £72.5m and expendi-

But when £70.3m is allowed But when £70.3m is allowed total net call on exchequer for the increase in the value of funds amounted to £48.1m, of

Forestry the growing stock - which is which £20.3m went to pay for that it heat revalued every three years - its regulatory functions. of properties, it claims an operating surplus on its forestry enterprise of £59m.

> The Commission has been criticised in the past for its allegedly poor rate of return on assets. But it claims to have beaten the 3 per cent standard set for the rate of return of its forestry enterprise activities by £2.4m

The forestry enterprise made a net call on exchequer funds of £27.8m compared with £33m in 1986-87. The Commission's

SUÇAR (\$ per tonne)

1192 1180

1125 1130

The Forestry Commission the Forestry Commission says it is too early to say how the major changes in Government forestry policy introduced in the March 1988 budget will affect planting. These involved the phasing out of tax incentives for forestry increased grants.

It says: "There will clearly be a period of adjustment while forestry interests assess the new situation, and the will contribute to cushioning the effect of the changes."

# Brussels urged not to cut price for imported sugar

WORLD COMMODITIES PRICES

THE GROUP of 66 African, president of the ACP Council depended for their entire existates has warned the countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries could not accept an By a special sugar protocol compensation to ACP countries countries could not accept an By a special sugar protocol c cutting the price for imported sugar in line with the Brussels Commission's recommended 5 per cent reduction in the price guaranteed to EC sugar beet growers for the 1989-90

Mr Carl Greenidge, the

Guyanan Finance Minister and

states has warned the countries could not accept an European Community against automatic link between the internal EC price and that for sugar imported under a special arrangement with the ACP

He said it was EC beet production that needed to be curbed, not the price of ACP cane sugar, ou which "hnudreds of thousands

na trac convention, the EC is commit-ted to taking 1.3m tonnes a year of ACP sugar at a price which has in practice followed the internal EC price.

For the last three years the
EC has frozen both sugar

prices to help control EC farm

But Mr Raymond Chasle, the ambassador of Mauritius,

which alone accounts for 500,000 tonnes of the ACP sugar quota, noted that previous promises of compensation for the recent price freeze had not yet been fulfilled, and he was sceptical about Brussels they received last year, in the currency of the UK, which is the destination of most ACP sugar shipments, fell by 7 per cent because of changes in the Community's agri-monetary arrangements. At the same

time, freight rates had risen by

21 per cent.

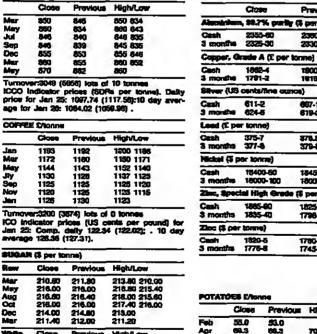
# **LONDON MARKETS**

THE LONDON Metal Exchange zinc market bounced to fresh records yesterday, following the previous day's brief setback. In the cash position Wedesday's \$17.50 fall was easily recouped with a \$40 rise to \$1,822,50 a tonne as traders refocussed on the possibility of another prolonged strike in the Peruvian mining Industry. Miners began a three-day meeting in Lima yesterday to discuss measures in support of claims for better pay and conditions. Other LME base metal markets ended the day lower. Most notable was cash copper'o £38 fall to £1,863 a tonne, which followed a £76.50 decline on Wednesday. Dealers noted that rising stocks and freer availability of motal had resulted in a sharp narrowing in the cash premium over three months copper.

SPOT HARKETS

Crude of (per parrel FOB)		+ or -
Dubai Bront Blend W.T.L (1 pm est)	\$14.70-4.80z \$17.50-7.60w \$18.12-8.17z	+0.10
Off products (NWE prompt delivery per t	onne CIF)	+ or -
Premium Gasolino Ges Oil Heavy Fuel Oil Naphtha Petroleum Argus Estimates	\$182-184 \$152-154 \$73-75 \$159-161	+ <sup>1</sup> 2 +0 + <sup>1</sup> 2
Other		+ or -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$405.50 617c \$539.75 \$139.75	+1.25 +4 +9.25 +1.25
Aluminium (free market) Copper (US Producer) Lead (US Producer)	\$2375 161%-63%c 40c	
Nickel (free market) Tin (European free market) Tin (Kusta Lumpur market) Tin (New York) Zinc (US Prime Western)		+20 •12.5 •0.04 +0.25
Cattle (Hve weight)† Sheep (dead weight)† Pigs (Ive weight)†	110.07p	-1,38* -6,44* + 3,34*
London delly sugar (raw) London delly sugar (white) Tass and Lyle export price		+ 1.5 +2 +1
Barley (English (sed) Marze (US No. 5 yellow) Wheat (US Dark Northern)	E115w E132.5 E120v	
Rubber (spot)♥ Rubber (Mar)♥ Rubber (Apr) ♥ Rubber (KL RSS No 1 Feb)	71.5p 72.0p	+ 1.5 + 1.5 + 1.5 + 6.5
Coconut oil (Philippines)§ Palm Oil (Melaysian)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" index Wooltope (64e Super)	0163	-10 -4 -0.35

£ a tonne unless otherwise stated, p-pence/kg. -cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr. May, u-Feb/Apr. q-Apr. x-Feb/Mar. 1Meet Com mission average fatelock prices, " change from a week ago. WLondon physical market. §Cif



May	216.00	216.00		N 212	
Aug	216.60	216.40	218.0	0 215	.60
Oct	216.00	216.00	217.4	0 216.	.00
Dec	214.00	214.80	213.0	Q	
Mar	211.40	212.00	211,2	0	
White	Close	Previous	High	Low	
Mar	271.00	271.00	272.0	Q 200.	00
May	262.50	263.00	264.6	0 257.	00
Aug	262.50	252.50	264.5	0 282	00
Oct	256.50	255.60		0 255.	
Dec	253.50	254.00			-
Mar	250.50	251.00	250.5	0	
May	248.50	249.00	246.5		
Paris- 1650, A	710 (2583 White (FF ug 1660, (	r per tonn Oct 1605, D	o): 144 00 158	0, Ma	70, M r 157
		EXCHANGE	TRA	<b>350</b> 0	PTIO
Alumini	com (99.75	6) C	nije	P	
Strike p	rice \$ ton	ne , Mar	May	Mar	May
2200		184	187	23	84
2500		115	134	53	129
2400		65	93	101	185
Copper	(Grade A)	C	عاله	P	'uts
3000		306	253	39	150
3200		173	175	105	257
3400		85	111	215	419
FRUIT	T AND VI	O TABLE	-		
Lyche	ee are in	good supply	this v	reek s	d
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and or	arly forces	rhuberb is	sien .	- Marie	77
40.6%				7222	-
	a 15 /45.0	Wal report	. 657		
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Melon	a 16 (45-6 s from Ga	rmei are 🔀	00-28	i0 eac	h.
melon	a lb (45-6 s from Ga Granges 5	rmel are \$2 -25p and be	00-2.6	0 eec	h,
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meton white ib rem at 40-6 sprout plentif short	o a lb (46-4 s from Ge oranges 8 nein stable 15p each ( la 5-27p a lui. Supplik at 80p-21.2	rmel are \$2 -25p and be - Caulitiow 45-70), and Ib and leek	.00-2.6 menss ers am both E a 35-63 pten a 0). The	iO ead 40-58 sturse inuse ip are re fair first	h, ip a idant is

LONDON	MITAL EXC	HANGE	(Pr	ices supplied t	y Amalgamata	d Metal Trading
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Abenhibes	4 99.7% purb	(5 per tonne)			Fling turn	over 6,650 tonn
Cash 3 months	2355-60 2325-30	2360-70 2330-6	2873 2835/2820	2370-3 2333-5	2325-20	24,221 lots
Copper, G	rede A (E per	torine)			Ring turno	ver 35,500 tonn
Cach 3 months	1862-4 1791-2	1900-2 1619-20	1895/1880 1813/1780	1880-2 1805-5	1791-2	65,114 lots
Silver (US	cents/fine ou	nce)			Flin	g turnover 0 oc
Cash 3 months	611-2 624-5	607-10 619-22		614-5 627-8		404 lots
Leed (E pe	r tonne)				Fling turn	over 4,650 tonne
Cesh 3 months	375-7 377-8	379-9-5	360/377	376-6.5 379-9.5	378.5-0	9,525 lots
Nichel (5 p	or tores)				Ring ter	nover 564 torns
Cesh 3 months	18400-50 18000-100	18450-690 18000-100	18600 18250/17300	18500-50 18000-100	17950-17975	5,846 lots
Zinc, Spec	tal High Gred	e (\$ per tonne)			Ring turn	over 2,550 tonne
Cash 3 months	1885-90 1835-40	1825-30 1798-800	1885 1840/1830	1880-5 1825-30	1835-45	3,837 lots
Zinc (\$ per	фине)				Ring turno	ver 16,875 torme
Cash 3 months	1820-5 1776-8	1780-6 1745-8	1825/1775 1800/1755	1823-8 1775-7	1785-90	11,903 lots

POTAT	OES EAD	nii e		LOND	OH BU	LLIQ	M REA
	Close	Previous	High/Low	Gold (	Ine ozi	\$ pri	<b>C</b> \$
Feb Apr May	55.0 69.3 79.5	53.0 66.3 76.4 71) jots of 4	70.2 67.9 80.5 78.0	Close Openia Mornin Alterno	on fix	406.0 406.0	5
				Day's		406	2-407 105 2
SOYAE	EAN ME	LL E/tonne					
	Close	Previous	High/Low	Colos		\$ pri	<del>=</del>
Feb	163.50	164.50	ALC: TOWN	Maple	eel'	417-4	22
Apr	154.00	167.00	165.50 163.00	8rRam	rie.	417-4	
Jun	158.00	189.00	167.50	_ US Eas		417-4	
Turnov	er 85 (15	Plots of 20	lonnes.	Angel Kruger New S	THE R	401-4	07
FREIGH	IT PUTUE	ES \$10/Inde	ex point	Old So	w.	95 v.	65%
	Close	Previous	High/Low	Nobig	P FREE,	548.1	0-667.
Jan	1829	1827	1830 1826				
Feb	1612	7615	1634 1613	Silver		p/filme	Œ
Apr	1647	1646	1860 1835	Stock		348.7	6
Jul Oct	1436	1435 1380	1445 1433	3 mont		358.8	
Jen	1590	1585	1680	6 mont	he .	371.1	0
8F)	1533	1834	1500	12 mor	tine .	391.7	3
Типпом	≠ 535 (S	25)					
				CRUDE	OF 3/	erra	
	24onne				C	CSO	Pre
Wheat	Close	Pravious	High/Low	Mar		L78	16.5
Mar	113.00	114.00	113.50 112.95	Apr		26	16.1
May	115.60	117.50	117,00 116,60	IPE ind	ex 16	46	15.6
Jun	118.25	119.10	118.50 118.25	Turnovi	er. 4782	1507	11
Бер	102.95	193,00	102.95 102.90			1001	•
Nov	105.35	105.40	105.35				
Jea	108.60	109.85	108.80 108.75	GAS O	L B/ton	ne	_
Berlay	Close	O			Ciose	۶	Yevio
		Previous	High/Low	Feb	148.5		48.00
	109.90	110.75	110.55 100.90	Mar	146.5		45.60
Mar		110 70					
May	111.90	112.70	112,25 111.90	Apr	143.0		43.00
		112.70 100.18 102.75	112,25 111,90 100,20 102,90 102,75	Apr May Jun	143.00 141.00 137.50	1	40.25 37.75

Ö	18250/17300	18000-1	00	17950-1797	5,846 lots	
ne)				Fling tu	mover 2,550	tonne
	1885 1840/1830	1880-5 1825-30	,	1835-45	3,837 lots	
				Fling tur	16,875	or ne
	1825/1775 1800/1755	1823-8 1175-7		785-90	11,903 lot	
				RAPHON		
.OW		ield (fine o	2) \$ pri	*	C equivalent	t
7.9 8.0		lose pening loming fix	406.0		225 ¼ -229 ¼ 229 ¼ -229 ¼ 225,732	
•		itemeon s ay's high ay's low	406.2 406.2 406.4	-407	229.093	
.OW		oins	\$ pric	;e	Instavlupe 3	
163	A	apleient ritermia 6 Eagle ngel	417-4 417-4 417-4	22 22 22	235-236 235-238 235-236 235-236	
Ė	N	rugermend ew Sov. Id Sov. pible Plat	95 4	26 No.	228-230 53-4-64-5 53-4-64-5 509-30-314-5	,
<u>~~</u>						
626 613	8	ver Ex	p/fine	Œ	US cts equity	_
635 433	3	iot months	349.76 359.60	,	619.00 632.90	_
		months months	391.70		648.75 678.60	
	=	RLIDE CIL	3/barrel			
			Close	Previous	High/Low	_
OW/	M. A		18.78 16.26	16.52	16.90 16.62 16.40 16.19	
112	145	4 17 17			10-70 16.19	

CRUDE O	L 3/ba	rrei		
	Cles	e Previo	ous Hig	h/Low
Mar Apr IPE Index	16.70 16.40	16.17		0 16.6 0 16.1
CAS OIL E			High	Ow .
CAS OL I	/torne	Previous		
GAS OIL I	/tonne 2000 48.50	Previous	150.50	146.00
GAS OIL I	Vionne 2000 48.50 48.50	Previous 148.00 145.60	150.50 148.00	146.00 145.75
GAS OIL E	Viorine 2000 48.50 48.50 48.50	Previous 148.00 145.60 143.00	150.50 148.00 145.00	146.00 145.75 142.50
GAS OIL 8	Vtonne 2000 48.50 48.50 49.00 41.00	Previous 148.00 145.60 143.00 140.25	150.50 148.00 145.00 142.50	145.75 145.75 142.50 140.00
GAS OL 8  Feb 1  Mar 1  Apr 1  May 1  Jun 1	Viorine 2000 48.50 48.50 48.50	Previous 148.00 145.60 143.00 140.25	150.50 148.00 145.00 142.50 140.50	146.00 145.75 142.50

### **US MARKETS**

IN THE METALS, gold and silver

spending.

futures slipped due mostly to a stronger dollar. Platinum prices were firm on rumoure of Africas presiden dying, reports Drexel Burnham Lambert, Copper futures remained lower with higher copper stocks note In the softs, trade support combined with speculative selling kept cocoa futures unchanged. Sugar futures slipped in light volume. Coffee prices were again firm in mostly local trading. The grain markets featured massive short-covering in the soy complex. Commercial selling early could not break support levels precipitated the key reversals. Corn and wheat futures followed the I The meat markets had negative fundamentals and weak cash prices pressuring the futures. Commishouses and local traders were featured sellers. The energy complex was lowe as the upcoming OPEC meeting prompted trada and local liquidation Cotton futures rallied on commission house buy stops adding to light trade

		ork.		
GOL	3 100 troy	oz.: \$/troy	OZ.	
	Cicee	Previous	High/Lo	**
Jen	408.0	406.0	0	0
Feb	405.2	408.4	407.3	402.8
ACT	407.2	411.2	0 412.7	405.0
No.	412.9	416.4	417.7	412.0
Aug	418.5	421.9	423.0	418.3
Oct	424.2	427.5	424.6	428.1
Dec	429.9	433.1 406.4	435.0	432.3
		roy oz: \$/tn		402.8
-	Close	Previous	High/Lo	
Jen	533.8	533.7	540.0	
Apr	536.9	557.2	544.6	536.5 536.0
Jul	534.4	533.2	540.0	885,0
Oct	534.4	<b>832.2</b>	539.5	536.5
Jen.	684.4	<b>532.2</b>	539.5	532.5
Apr	537 A	585.2	544.0	544.0
SELVE	JR 5,000 tr	oy oz, cent		
	Ciosa	Provious	High/Lo	ŵ .
bigers	610.4	617.9	0	0
ob	610.7	617.9	0	0
Ver	615.5	622.5	625.0	613.0
May	625.5	632.9	636.0	623.0
ital Sero	647.5	643.8 654.4	650.0 660.6	654.0
Oec Oec	883.2	699.9	674.5	670.0
leen.	CETA	574.1	0	0
Mar	578.9	685.6	ō	ō
Key	690.1	8.886	0	0
COPP	ER 25,000	ibe, cents/	bs	
	Cross	Previous	High/Lor	W
lan	157.65	164.60	159.20	151.50
Feb	148.15	149.10	0	0
Mar.	144.15	145.10	145.50	141.50
	134.15	134,70	135.30	132.00
12y				
haf .	128.85	129.00	129.30	
	128.85 124.60 120.35	129.00 124.75 120.66	129.30 125.00 120.50	127.50 123.90 119.53

CINU	DE OIL (L	ight) 42,000	US galls	\$/besrel	- CI	hicag	10	_	
	Latest	Previou					.000 bu min;	oonte/800	herebol
Mer	17.96 16.65	18.12 17.60	18.48 17.24	17.31	_	Cicee	Previous	High/La	
Aug	16.60	16.88	17.20	16.08	Mar	761/2	749/2		
Sep	16.50	16.73	17.12	16.50	May	771/6	760/4	788/0 778/0	740
Dec	16.48	16.60	16,84	16.48	Jul	779/4	767/2	786/0	700/
					_ Aug	775/0	762/0	780/0	765/
		12,000 US			Sep Nov	752/0 751/6	741/0 723/0	757/0	736/
	Labort	Previou	s High/La	W .	Jen	741/0	781/0	744/0	721/
Mar	4970	5052	5100	4960	Mar	748/0	739/0	752/0	. 738/
Apr Mey	4765	4636	4890	4780	80Y	ABEAN OF	. 60,000 lbs;		
Just	4610 4525	4570	4715 4630	4610 4625	_	Cicee	Previous		
Jul	4512	4527	4660	4512	Mar			High/Lov	
Aug	4580	4572	4625	4580	May	21.51 22.01	21.11	21.72	21.0
Sep	4680	4637	4710	4680	Jul	22.50	21.84	22.50	21.5
COC	OA 10 toni	ber;\$/tonn			Aug		22.85	22.90	22.3
	Close	Previous	High/Lo	7W	- Sep	22.95	22.60	23.00	22.4
Mar	1456	1460	1468	1449	Dec	23.02	22.92 22.96	23.50	22.6
Mey	1423	1422	1427	1410 -	. Jan.	23.50	23.70	23.25	23.7
Jul	1998	1408	1415	1394 1397	SCY	EFAN NE	AL 100 tons;		2,0,11
Sep	1963	1400	1408	1307					<u> </u>
Mer	1300	1413	1391	1883		Cicee	Previous	High/Lov	
May	1404	1428	0	ŏ.	Mar	248.7	244.6	251.2	242.0
COFF	EE 'C' 37	,5000bs; ce	erts/line		Jul	243.2 243.2	292.1	248.0	240.
_	Close				- Aug	230.2	235.5	245.5 241.5	235.0
_		Previous			Sep	236.0	230.7	236.0	220
Mer May	137.72	135.87	136.20 - 135.25	136.80	Oct	227.9	219.0	226.0	225.0
Jul	152.68	130.00	133.00	130.60	Jan	224.5	220.0	225.0 225.0	921.
Sep.	131.08	127.60	131.25	125.30	MATZ	# 5 000 h	mint cents/8		223.0
Jec Var	130.50	126.82	130.50	128.75	/			dio primitel	
May	128.50	126.25	130.00	129.50		Close	Previous	High/Los	
we	UR WORLD	112	OOO there are	-4-61-	Mar	271/6	270/2	273/2	208/
	Close				Jul	277/0.	276/4	279/4	275/
_		Previous	High/Lo	w	Sep	273/0	272/0	283/2 274/0	279/1 274/4
Asr Asy	9.65	9.51	0.50	9,40	Dec	271/8	271/2	273/2	208/4
lesi.	9.52	9.51 9.58	9.68	9.54	Mar	278/0 278/6	277/6	278/4	2744
Cat	9.52	9.57	9.64	9.49				260/4	277/4
len Ver	9.25	9.46 9.35	0	0		11 3/000 DE	min; cente/	90to-bushe	1
Vey	9,50	9.23	9.36	9.33	· ·	Clase	Previous	Highton	:
2011	OSI 50.000	; ceets/lbs		<del></del>	Mar	444/0	439/6	445/0	457/2
_	Ciose	Previous			Jul	432/4	434/2 404/6	438/4	432/0
Mer			***	<del>-</del>	Sep	413/0	400/2	4140	408/0
Hay	59.57	55.46 55.80	59.33	58.35	Dec	424/0	419/6	424/0	416/0
bul	59,65	56.25	59.57 56.70	58.85 58.80		425/0	422/0	425/0	421/0
æ	56.45	57.20	68.45	57.70	LIVE	**************************************	.000 (bit) con	e/los	
)oc	58.25	67.55	58.25	57,40	_	Close	Previous	High/Low	
RAN	GE WICE	15,000 lbs	; cente/lbe		Feb	72.42	72,90		_
	Cipee	Previous	High/Los		Apr	73.45	73.67	73.12 73.77	72.32 23.39
Mar	135.50	136.86			Jun	72.80	72.95	73.10	72 57
Way	133.45	134.55	137.50 134.75	136,35 132,75	Sep .	71.16 70.96	71.42	71.60	71,17
ui	133.60	134.50	134,56	132.80	Opt	70.55	71.10 70.82	0	71.17 70.06
Sop Vov	133.00	133.50	134.50	133.00	Dec	71.75	71,90	70.90 71,90	70.45
len .	130.00	131,50	131.50	131,50	Feb	71.90	72.00	7200	71.85 71.90
Aur	130.00	131.50	130.00	130.00	LIVE	10GS 30.0	O Ib; centu/i		
<b>ley</b>	130.00	48 - 4-	ŏ	0		Close			
			_				Previous	High/Low	77
					Feb Apr	42.70	49.37	43.40	49.55
					- Chin	42.15 48.77	42.75	42.80	42.55 41.85
					Jul	47.32	45.02	47,45	40.00
-					Aug .	46.80	47.22	4.17	47.02
_	CES				Oct	43,50	43.90	43.90	46.67 - 43.65
REU	TERS (Be	se: Septem	her 15 104		Dec Feb	45.50	45.52	45.55	45.25
_	Jan 2					46.40	48.47	48 70 .	44.35
_			गानक क	орь ту о	PORK	BELLIES 4	0,000 lbs; ce	nts/Ib	
D.C.	1966.2		1970.7	1735.4		Close	Previous	High/Low	
		Sese: Dec.	3 1974 =	100)	Feb	38.82	39.70		
pet	140,28	141.05	142.45	131,98	Mar	39.45	40,40	\$9.87 40.55	38.40
ابلان	9E 141.98	142.48	142.45 145,61	133,78	May Jul	41,17	41.97	42.05	· 現、存 40.35
_			1		Aug .	41.50	43.27	43,40	42.26
			1		_		42.72	45 64	



## LONDON STOCK EXCHANGE

# Equities advance ahead of trade data

THE CONFIDENT progress of the equity market was in no way checked yesterday by any concern ahead of this morning's announcement of the UK trade figures for December. The UK institutions continued to buy the leading stocks, although perhaps less aggre-sively than earlier in the weel After boiling over briefly, the market resumed its upward track to close near the best lev-

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Company of the Compa

els of the day. health was improved by the absence of developments on two situations unsettling equities at the previous close, There was no sign of any of the widely predicted rights issues,

Account	t Dealing	Dates
"First Dealings: "Jan 16	Jun 30	Feb 13
Option Declarati Jan 26	.Feb 9	Feb 23
Lest Doubles: Jan 27	Feb 10	Feb 24
Assessed Days Feb 6	Feb 20	Mar 6
The tipe dead		place frame place

nor were there further traumes from the unsuccessful attempt to place 15.8m Taylor Woodrow

Turnover remained high, with a Seaq volume figure of 624.5m shares comparing comfortably with last week's average totals, if below Wednesday's post-Crash peak of

924.7m. The blue chip internationals were less prominent. however, and the second half of the session brought a revival of takeover speculation, featur-ing such old favourites as Enterprise Oil and Cadbury-

Schweppes.
A rise of 20.8 took the FT-SE Index to 1959.8 and to its sixth gain out of the past seven trading sessions. With FT-SE 1950 safely out of the way, chart analysts began to look forward to the 1975 level which is their part teeting point. next testing point. Once again there was an

**Equity Shares Traded** 

Turnover by volume (million)

Nov

remained in the firing line yes-

555p offered at the opening, with sentiment badly affected

by the previous day's events. They then rallied well, touch-

ing 580p before ending the day

a net 8 lower at 575p with turn-over reaching 2.6m after Taylor

Woodrow issued a statement

welcoming Hambros and Hoare

close working relationship with the two for many years

and "considers them to be sup-

portive of the Taylor board's

policies and principles."
P & O shares recovered some

of the ground lost on Wednes-

day, settling a net 12 higher at

609p; turnover here was 2.3m.

Dixons were a good market among uninspired stores. Deal-

ers reported interest in the stock following the company's

US visit earlier this week. As talk of a possible consortium

bid approach resurfaced, the stock gained 8% to 152p on

Wednesday's highs, closing 4 easier at 270p with the market

looking for a bid for furniture

group Magnet.
The electronics arena was

the scene of another wave of frantic activity as the Govern-

ment issued four licences for

the new cordless telephone

systems (CT2), commonly known as "telepoint".

Taking e cautious line on

Lord Young's statement on two.

new licences for the 1990's to

compete with existing cellular systems, Mr Chris Tucker, elec-

Woolworth fell back from

turnover of 7.6m shares.

Taylor said it had had a

as new shareholders.

Taylor shares dropped to

600

uncertain start, with share prices struggling to hold early gains in pre-Sear trading. But once the rights issue worries

receded and some initial tur- cast is for a deficit of around mod in Taylor Woodrow stock 21.5bn on current account, a died away, prices steadied and then movd ahead as the UK institutions appeared in the market again. There was support for BAT

Industries, despite doubts among some analysts regard-ing the basis for recent take-over speculation. Good trading results - and no rights issue - from Rank Organisation gave a boost to sentiment, and at the close London was helped by a firm opening on the Wall Street market.

Most equity analysts appeared sanguine ahead of today's UK December trade figtires. While the median fore-

Other companies granted

licences in various consor-tiums, included Cable & Wire-

less (up 10 at 409p), via its Mer-

cury subsidiary, British

Telecom (firmer at 270p) and

STC (8 stronger at 303p).

Racal Telecom, failed to win

one of the licences and subse-

quently came under pressure to close 5% down at 242p on

6.6m. Parent Racal Electronics.

initially dipped to 315p but

later picked up to close a frac-tion harder at 321p; turnover

Vague speculation of a possi-

ble link up in consumer elec-

tronics with GEC saw Amstrad race up to 177p before a close of 174p for a net gain of 9; Amstrad later denied the sto-ries. GEC rose 6 to 219p on

Excitement returned to the

Foods sector amid forecasts of

record profits this year at Ranks Hovis McDougall's agm (the shares were up 7 at 391p),

A 4-for-1 share split in Tate & Lyle (closed at 237P), and assorted bid speculation in Cadbury, Hillsdown (up 8 at

262p), Unigate (11 better at 860p), United Biscuits (5 firmer

at 312p). Gateway saw its shares climb sharply in late

trading to 179p, up 9, as nearly 8m shares change hands on

market talk that an opening hid will be launched today at 200p a share. Sainsbury added 3 at 222p despite a sizeable downgrade from BZW.

Vanx Group were the nick of

hotels group Queens Most (up 4 at 112p) had added to its 7.5 per cent stake. However,

had no plans for its Vaux

Magnet, which on Wednes-day revealed it had received an management buy-out (MBO) approach from a group of direc-

tors, led by chairman and chief executive Mr Tom Dunbury, continued to forge ahead with

the shares adding a further 14 at 276p. Turnover in the stock remained at a high level, total-

ling 8.2m shares.
Dealers said speculators were moving in on the shares on expectations that any management buy-out will almost

certainly trigger a bid battle for the company with the 300p a share level regarded as the starting point. The County NatWest building research

ens Most later confirmed at a lunch with a leading secu-rities firm in London that it

in July.

was 15m.

turnover of 8.4m.

very slender reduction on the November figure, the market will be untroubled by any defi-cit figure below £2bn, according to Mr John Reynolds, equity strategist at Pruden-tial-Bache (Equities); his fore-

cast is for a £1.60n deficit. However, the markets will be watching closely for the reaction of sterling when the figures are announced, but Mr Peter Spencer of Shearson Leh-man Hutton commented: "With the Lawson squeeze beginning to work, any setback on trade or any other data should be regarded as a buying opportu-nity."

28 88.39 **Government Sect** 88.53 28.37 Gold Mines Ord. Dl. Yield
Earning Yld %(full)
P/E Ratio(Net)(2)
SEAO Bargains(5pm)
Equity Turnover(2m)†
Equity Bargains†
Shares Traded (mi)† 4.84 11.85 10.28 31,542 1327.65 36,022 554.7 Ordinary Share Index, Hearly changes

FINANCIAL TIMES STOCK INDICES Since Compliation Low High Law 91.43 86.18 127.4 (18/4/86) (14/12/86) (9/1/85) 88.35 94.14 705.4 50.53 (8/1/88) (28/11/47) (3/1/75) 96.67 1501.3 1349.0 1925.2 49.4 (25/1/50) (8/2/56) (16/7/67) (25/6/40) 312.5 160.7 734.7 45.5 (7/1/88) (3/1/89) (15/2/83) (26/10/71) 4,70 4.57 11.82 11.04 10.23 11.07 33,325 25,073 1032.84 1428.57 30,882 25,481 718.0 586.3 . S.E. ACTIVITY 4.67 11.75 10.28 34,484 1312.74 36,425 548.5 Gilt Edged Bergaine 127,9 100.3 Equity Value

5 - Day average

Gitt Edged Bargaina

Equity Bargaina

Equity Value Opening 0 10 am 0 11 am 0 12 pm 0 1 pm 1583.1 1587.7 1586.3 1587.2 1601.4 DAY'S HIGH 1602.1 DAY'S LOW 1583.1 Seals 100 Govt. Secs 15/10/28, Fixed Int. 1928, Ordinary 1/7/35 Gold Mines 12/8/55, SE Activity 1974, civil 10.40(Excluding in London Report and latest
 Share Index; Tel. 0005 123001

TRADING VOLUME IN MAJOR STOCKS

# **Disposals** to boost **G** Met

Activity in the traded options market early on — a UK bro-ker was said to have exercised an option to buy 1m shares — sent shares in food, drinks and hotels group Grand Metropolitan firmly higher. At one stage the price touched 500p bid, before profit-taking saw the shares ease back to a close of 494p, up 7 on the day on turn-over of 8.3m shares.

Grand Met have returned strongly to favour since the New Year, buoyed by several buy recommendations, including from BZW and Kitcat Aitken. The news that there has been no shortage of potential buyers for the company's casino operations, and of the approaching sale of two of the US restaurant chains acquired during the \$5.7bm takeover of Pillsbury, have given an extra lift to the share price.

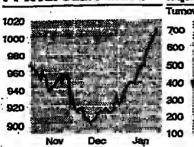
Mr Martin Hawkins of Kitcat Aitken believes Grand Met will use the money from the casino and restaurant disposals to pare down its borrowings rather than expand its own businesses. The first priority remains to fully digest Pills-bury, in particular the troublesome Burger King chain, said. Hawkins. "If Grand Met can stabilise Burger King and squeeze margins out of Pillsbury, then they will make a tremendous amount of

### BAT active

A feature of early dealings was BAT Industries, which speculation took a new turn. Suggestions that the group's management, perhaps alerted by an approach from a preda-tor, might attempt a buy-out from within belped send the shares ahead in strong turn-over. Despite some doubts among analysts over this fresh twist in the story, BAT shares closed 21 higher at 519p with turnover of 9.1m shares boosted by UK institutional

Bid hopes, which mention either Hanson or Kohlberg, either Hanson or Kohlberg, Kravis, Roberts, the US buyout specialist, as possible predators, face the problem of Farmers Group, BAT's US insurance acquisition. This is described by analysts as, "a poison pill in itself because of the minefield of US regulations involved. Some believe that a management buyout might management buyout might overcome such problems. How-ever, Mr Paul Burke, tobacco specialist at Kleinwort Benson, doubts all bid tales. BAT yesterday announced a routine

### FT-A All-Share Index



increase of £500m in its commercial paper programme.

# **New Cadbury fever**

After several weeks in the doldrums, Cadbury Schweppes bounced back as the shares soared 23 to 371p on turnover just short of 7m shares. The latest bout of bid fever was sparked off by a number of conflicting stories about major US shareholder, General Cin-ema, which emerged from both sides of the Atlantic.

The shares drew initial strength from a story that General Cinema was about to sell its 18.4 per cent stake, possibly to US arbitrageur Mr Asher Edelman. Further speculative buying was triggered by reports from the US that securities house Salomon Brothers had said in a circular that General Cinema was more likely to increase than reduce its stake in Cadbury. Adding to the con-fusion were unconfirmed reports that the board of General Cinema was in London. The result was massive demand for Cadbury stock, heavy trading in the options, and strong buying of the ADRs in the US. American buyers were to the fore at every stage, said dealers. As one excited follower of the stock said: "Every-one believes that a bid is in the

when it will come."

**Woodrow decline** Taylor Woodrow, given a mauling on Wednesday on news that Hoare Govett, the securities house, and Hambros, the merchant bank, had bought P & O's near 10 per cent stake and were attempt-ing to place the shares,

offing what we don't know is

# tronics analyst at Kleinwort Benson said "the additional competition in the 1990's calk into question some of the more optimistic valuations of cellu-

**NEW HIGHS AND LOWS FOR 1988/89** HERW FIGURE (128).

AMERICANS (3) American T.A.T., Chrysler, Unit. Tech., Caladathan (2) Imperiol (3), Semperiol (3), Semperiol, International (4), Semperiol, International (4), Semperiol, International (5), Semperiol, International (5), Semperiol, International (5), Semperiol, International (5), Semperiol, Semperiol,

ITV. Middenmer Lain., Piccedity, Tyne Tees, Useer TV, MOTOVIS (q) Bustrow, Gen., Makina, Triescop 11/2 pp. Le. W. Miller, Triescop 11/2 pp. Le. W. Miller, Miller Miller, General Miller, Miller Miller, Miller

NEW LOWS (18).
STORES (1) Vivet, ELECTRICALS (2) Option,
Personal Compa., MIGUISTHIALS (8) Bardos
Gra, DSC, Gr. Southern, Green (E.) & Pert,
therear, Madician Research, Lipsum (F.)
BCE Hidge., MIGTORS (1) March GraPROPERTY (1) Key City Prop. GLE (2)
Clerestort (UR), Southwest Plea., MIRCE
(2) Personal Res., Highwood Res., Treits
MANUELE (3) Caldwell Inve., Percent.

### team says: "MBO or no MBO, the for sale sign has gone up outside Magnet's door and the lar radio." Ferranti, which developed the CT2 technology, was again the focus of market attention,

stock is now in play.

Preliminary results from lel-sure group Rank Organisation confounded Wednesday's pessiand was awarded one of the licenses. A poor market on Wednesday amid fears of a mistic share price performance. Rank stock plummeted rights issue, the shares rallied 4 to 106p on turnover of 3.7m, but stories persisted that the late on Wednesday to the accompaniment of market company may well decide to raise money via a rights issue speculation of a possible when it brings out its figures £200m-plus rights issue to fund

US acquisitions. But there was no cash-raising operation yesterday, only full-year pre-tax profits of 2255m, 22 per cent up on last year's £208.3m, and well ahead of the most optimistic forecasts which had run to £250m at

Rank shares raced up 30 to 783p, more than reconping Wednesday's fall, with turnover recorded at 2.8m Bruce Jones, analyst at Kitcat & Aitken, was bullish about Rank in the wake of the figures; "we expect a sixth year of above average growth; a multi-ple of under nine and yield of over 5 distinctly underrates this well managed company. The shares look at the very least 10 per cent too cheap." The Kitcat analyst is going for pre-tax profits of £312m next

The energy sector received a triple boost, with London and New York markets very strong and crude oil prices firmer

Oil were affected by a \$120m provision for environmental Record profits, together with clean-up costs in the US. But a higher total payout and share

| Color | Colo

the underlying figure for net income, \$332m, was in line with forecasts, dealers said. Shell Transport shares slipped back a few pence to 361%p with turnover sharply higher and finally 7.1m. BZW reiterated its stance that Shell Transport "are high enough" and continue to rec-

ommend investors to switch

Enterprise Oil were among

the day's outstanding performers and jumped 25% to 550p with the shares apparently still

being driven by the BZW "buy" recommendation. Lasmo ral-

lied well, closing 8 higher at

483p. Record profits, together with

into BP which represent better

expected on March 2.

value". Preliminary results from Shell Transport are

Shell Transport, however lagged behind the rest of the sector after Shell Oil, its US subsidiary, released slightly disappointing fourth quarter results. The figures from Shell bonus issue, inspired strong demand for Lonrho, which gained 10 to 358p on turnover of 6m shares

Reports that Toyota plans a car assembly plant in Europe brought a strong rise in Inchcape, which has the sales fran-chise in the UK and Greece; at 237p, Inchcape were 11 up with 3.2m shares traded.

Renters held steady at 612p in more moderate trading than recorded in recent sessions. Citicorp Scrimgeour marked the shares a sell, warning that final results, due on February 14, will be affected by poor demand for electronic terminals in the US and by increasing numbers of terminal

Greycoat were the feature of a firmer Property sector, rising 25 to 467p after lunching with

broking house James Capel. The company used the occa-sion to confirm that it will seek pre-lets of its three major Lon

Makes Coules Bay's ME's Prier charge

don developments. Turnover in traded options reached 52,548 contracts, made up of 42,829 calls and 9,719 pots, as dealers again thro turnover roughly double the mid-summer average dull. The most actively traded stocks were GEC, on 5,556 contracts almost all call, with the April 200s most prominent, Racal which found 3,601 calls and 835 puts, and Cadbury, which came with a late run to claim 2,405 contracts, made up of 1,852 calls and 563 puts.

M Other market statistics, including FT-Actuaries Traded Options, Page 25

# the Brewery sector, advancing | FINANCIALTIM CONFERENCES

# **CABLE TELEVISION** AND SATELLITE **BROADCASTING**

The seventh Financial Times Cable Television and Satellite Broadcasting conference comes at a dramatic turning point in the development of the new media in Europe when the explosion of choice which has been promised for years is about to happen and the Government is drawing up its legislation on the future of British Broadcasting.

### Questions to be discussed include:

\* Who will be the winners and losers in the world of the new media?

- Will cable benefit from its capacity to deliver to all the competing channels and cut through the problems of competing dishes and standards, or will the satellites get there first?
- \* How will the consumers react?
- \* What will be the impact on the traditional broadcasters?

### Speakers include:

Mr Timothy Renton, MP Minister of State, Home Office

Mr Andrea Caruso

**Dr Pierre Meyrat** Société Européenne des Satellites

**Mr Anthony Simonds-Gooding** British Satellite Broadcasting

Mr Jim Styles Sky Television PLC

**Mr Francis Baron** WH Smith Television

Mr Michael Checkland **British Broadcasting Corporation** 

Mr Jon Davey Cable Authority

**Mr Biii Cotton** 

Alba plc

Mr Adam Singer United Programming

Dr Burkhard Nowotny Bundesverband Kabel und Satellit eV

Mr Elco Brinkman Minister of Welfare, Health & Cultural Affairs, Netherlands

# CABLE TELEVISION AND SATELLITE BROADCASTING Complete and return to: The Financial Times Conference Organisation 126 Jermyn Street, LONDON SWIY 4UJ.

Please send me further details of the CABLE TELEVISION & SATELLITE **BROADCASTING CONFERENCE** 



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# New chief for Shell company

made a director of SHELL U.K. and managing director of SHELL CHEMICALS U.K. He succeeds Mr John Collins who is moving to the Landon office of the Shell International Petroleum Company.

Mr. Gavin Oldham has been elected chairman of BARCLAYSHARE, and business development and planning director of BARCLAYS RETAIL INVESTMENT MANAGEMENT. Previously chief executive of
Barclayshare. Mr Oldham's
new role will include closer
co-ordination of the investment
services provided by the bank.

RCI has appointed Mr. Fred Gray as a corporate treasurer. He was previously a controller corporate operations, finance --department.

Sir Alex Alexander, who retires as chairman of J. Lyons & Co on March 5, is to become a full-time managing director in the London office of SHEARSON LEHMAN HUTTON. The appointment reflects Shearson's interest reflects Shearson's interest in developing its European corporate finance business.

Mr R.G. Martin, vice chairman

. -



Grant Thornton has appointed Mr David McDonnell (above) as a new national managing partner from July 1. He is currently chairman of the firm's policy board. Mr Mike Lichies, the present national managing partner, will become senior partner for Grant Thornton in the UK.

and chief executive of Allied-Lyons, will become chairman of J. Lyons & Co on the same date.

Mr Andrew Sayer bas been appointed an associate director OF DEN NORSKE CREDITBANK. He heads the bank's UK banking

BROWN SHIPLEY has

Haydn Taylor are joining the new company from Hoare Govett (Channel Islands).

**APPOINTMENTS** 

Mr George Simpson, formerly chief executive of Layland DAF and a member of the board of management of DAF BV, and who is now managing director of Rover Group, has been appointed a member of DAF's supervisory board (equivalent to non-executive directors in UK).

M Dr Richard Stabbins has been appointed a director of GOAL PETROLEUM. He was an associate director responsible for exploration. Mr Thomas F. Cox, senior petroleum engineer, becomes an associate director.

Mr Mark Forrest has been appointed transport director on the board of PANDORO. He was northern route general

FERGABROOK GROUP has appointed Mr Ian McMurtrie as chief executive of Wembley Sportsmaster. He was managing director of Mattel

■ TRANWOOD has appointed Mr John Gilmore as finance director. He is finance director of Tranwood Earl & Co., corporate finance subsidiary.

Mr N.S. Farr has been appointed chief executive of the BABCOCK & BROWN GROUP's international money M Mr A.N. Johannsen, director and general manager of JAMES BURN INTERNATIONAL (JBI), has been appointed vice president and general manager. JBI is a division of Standex International Corpogration.

SINTROM, the computer peripherals, networks and services group, has appointed Mr Peter Gardner as managing director of its network products subsidiary, LRT.

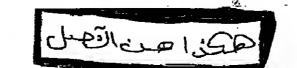
OCS GROUP, the cleaning and property meintenance group, has appointed the following to the main board: Mr Peter Goodliffs and Mr Christopher Cracknell, both directors of Office Cleaning Services, and Mr Stephen Wand, a director of New Century Cleaning Co.

Mr Hugh Perrott, corporate development manager responsible for planning and acquisitions, has been promoted to finance director of WHATMAN REEVE ANGEL Mr Peter Akers, company secretary and treasurer, has also joined the

Mr Nigel Constantine has become managing director of LONDON & CLEVELAND ESTATES, the commercial development division of Constantine Holdings. Mr Peter Cope, managing director of the property investment division, remains on the board of London & Cleveland Estates.

# FT UNIT TRUST INFORMATION SERVICE

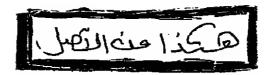
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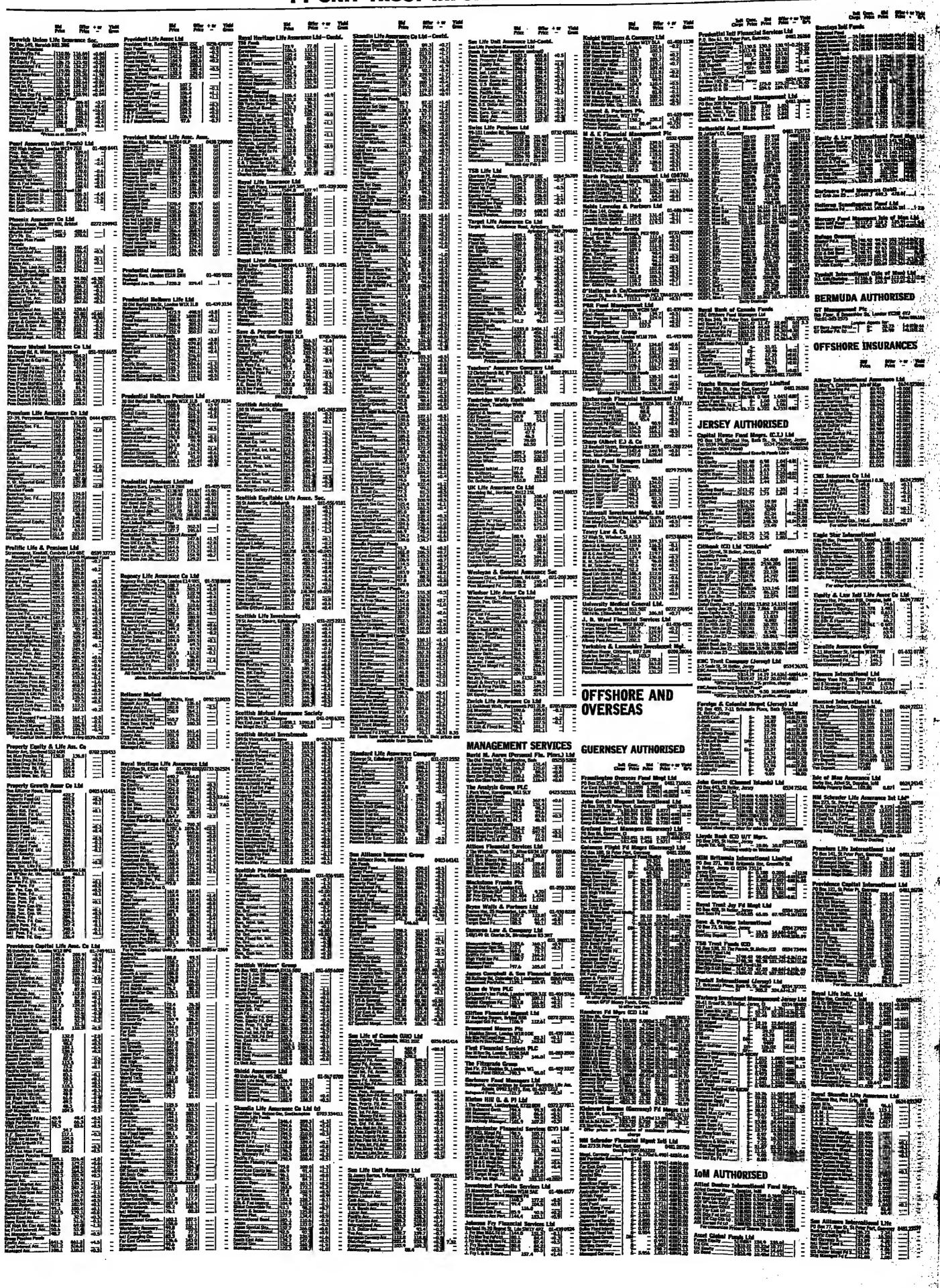
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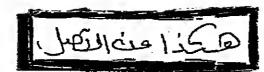
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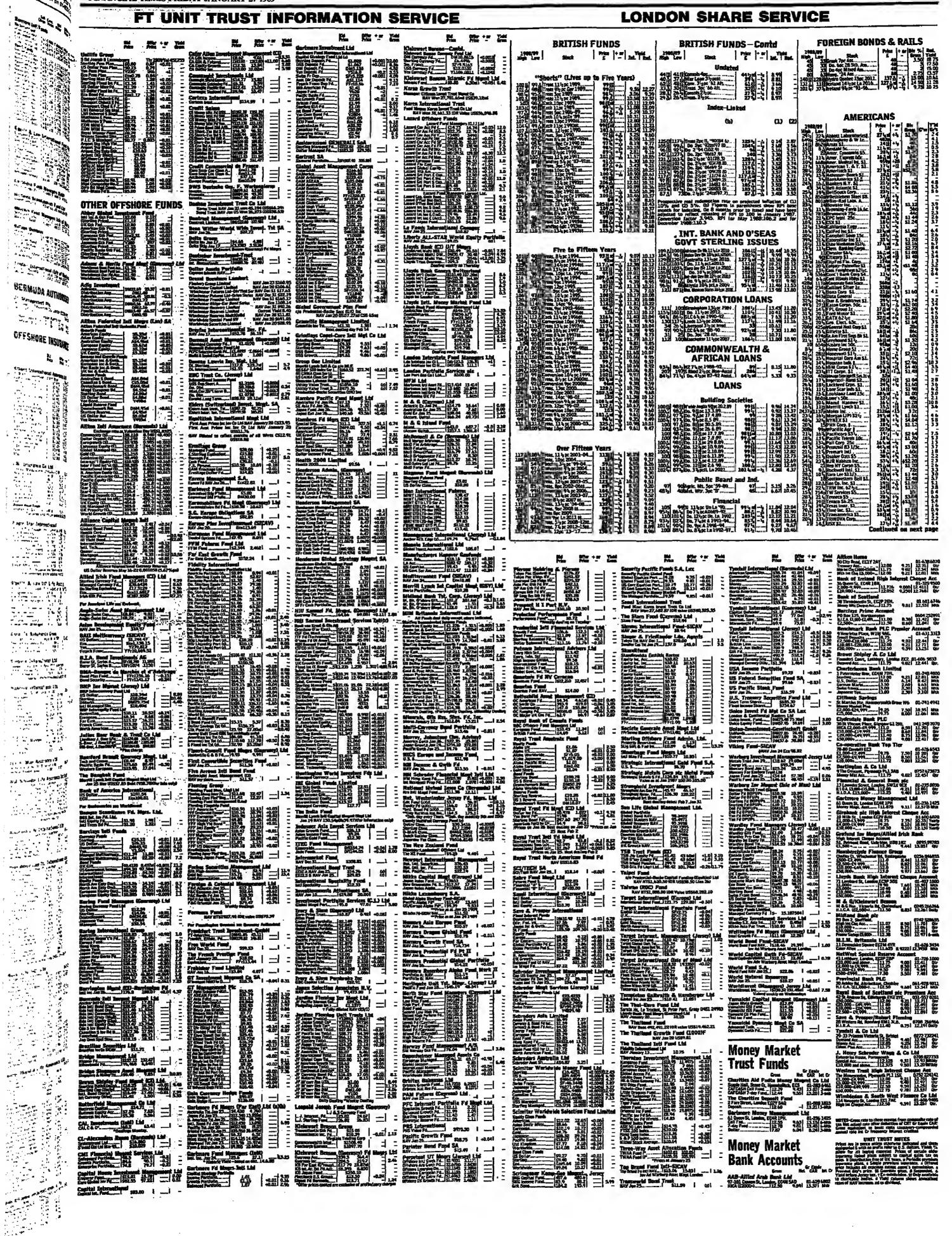
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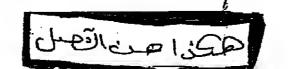


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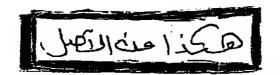


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### CURRENCIES, MONEY AND CAPITAL MARKETS

### **FOREIGN EXCHANGES**

### Dollar retains firm undertone

erratic nature. Investors will now be waiting for US fourth

quarter Gross National Product data due today. Further evidence of continued strong

economic growth is likely to

put even more upward pressure on interest rates and the

of Japan's absence from recent rounds of co-ordinated inter-

vention. The US unit finished

at Y128.10 from Y127.75. Elsewhere it closed at SFr1.5675 from SFr1.5665 and was unchanged against the French franc at FFr6.2700. On Bank of

England figures, the dollar's exchange rate index edged up to 66.9 from 66.8.

Sterling maintained its recent firm undertone, relying on the high level of UK interest

rates to hold overseas demand.

While holding below DM1.85 to close at DM1.8440 from DM1.8430 previously, the dollar improved against the Japanese yen, partly reflecting the Bank

THE DOLLAR yesterday about the economy from a set continued to draw support of figures renowned for their from high US interest rates and the determination of the US Federal Reserve to fight inflation, but its upward poten-tial was blunted in Europe by the threat of further central bank intervention. Trading was confined to a relatively narrow range, of which DM1.85 is currently considered as the top. It was at this level that the Fed intervened and sold dollars on Wednesday afternoon. The Fed backed this up in New York yesterday by making fur-ther dollar sales at DM1.8480 after the close of business in

Central banks are likely to try and hold the dollar to around this level at least until a meeting of the Group of Seven on February 3. At that time they may well decide to cap the dollar, but at a higher level. Apart from the Fed however, the acquiescence of other central banks to a higher dol-lar is by no means assured. The West German Bundesbank has often made clear its desire

to avoid importing inflation through a weaker D-Mark. News of a 6.4 p.c. rise in US durable goods orders in Decem-ber contrasted sharply with

expectati 0.7 p.c. a wary of	ions o althou draw	f an in gh trad	crease of lers were aclusions	Davich Krone German D-M: French Franc Dotels Golder Irish Punt. Kalilan Lira	2.0 6.9 2.3 0.74	5953 2.0 0403 7.1 1943 2.3 9411 0.77 15.56 15	9818 18634 11240 15501 19281 27.108	413 413 413 4141 413	+1.06 +0.70 +0.82 -0.52 -0.64 +1.66	±1.5404 ±1.0981 ±1.3674 ±1.5012 ±1.6684 ±4.0752
Jan.26	Lat	est	Previous Clase	Adjustment c	for Ecs, therefore po alcolated by Financi	al Times.				
CSpot	1.7720-	1.7730 1	7705-1.7715	POU	ND SPOT	- FORW	ARD A	CAINST	THE P	DUND
1 month 3 months 12 months	1.58-	0.58pm 1.55pm 4,21pm	0.60-0.58pm 1.58-1.55pm 4.32-4.22pm	Jan 26	Day's spread	Clase	Out s	menth %	Three	% p.a.
Forward premin	मार्ड कार्च की	scounts apply	to the US dollar	Canada	1.7695 - 1.7770 2.0930 - 2.1050	1,7720 - 1,773 2,0945 - 2,095	0.56-0	53cpc 3.69 27cm 1.99	0.90-0.7	1pm 3.46
STE	RLIN	IG INI	DEX	Retherlands . Beighne Demoark	3.68-3.694	3.684 - 3.69	2 23	-2cper 6.7	6-5 91-8	pm 6.44
		Jan 26	Previous	(reland	12671 - 12701 12165 - 12240 3251 - 3271	12.68 - 12.6 1.2200 - 1.22	0 0 0 5 5	50ppm 5.1/	154-14	544 4.67
8.30		98.0	97.8	W. Germany Portugal	3.254 - 3.275 266.35 - 268.35	3.264 3.27 266.70 - 267.	70 2-1	3.pepm 7.12 15com 1.66	110-1	53 6.81 Spec 0.94
9.00 am		98.2 98.2 98.1 98.2 98.1 98.2 98.1	97.8	Spale	201.95 - 203.70 2386 - 23954	1 202 30. 2027	LA 1	15cpm 1.6c 20cpm 1.6c Ulrepm 1.00	50-3	Done 0.79
11.00 an		98.1	97.9 97.9	Norway	11.83-11.851	23925 - 2393 11.84 - 11.8	215	arejus 1.84	11 - 11	1.77
1.00 on		98.2	97.9 97.8	Sweden	11.09 - 11.14 <u>-</u> 11.13 - 11.15	11.101 -11.1	4.	Aceput 2.25	11/21/1	4.07
2.00 pm		98.1	97.8	Japan	225 4 - 227 2	2267 - 2274	1 133	20repm 2.25 12ypm 8.26 gropm 6.25	45.4	abab 7.93
3.00 pm		98.1 98.1	98.0	Austria	22.95 - 22.99 2.764 - 2.784	22.97 - 23.00	23-114	12 ypm 8.26 groper 6.23 3 cpes 7.29	385,-34	1000 0.3/
Jan.26	Bank rate	Special* Urawing Rights	European Corrency Unit,	Jan 26	Day's spread	Close	Oce p	touth %	Three months	% p.z.
Sterilog U.S Doltar	4 50	0.745799	0.638336	UK†	1.7695 - 1.7770 1.4490 - 1.4585 1.1800 - 1.1865	1.7729 - 1.77 1.4515 - 1.46	30   0.56-0 25   0.26-0	53cpm 3.6 31cds -2.3	9 1.56-1.57 5 0.64-0.74	
Caraction 3	650 1154	1.56525	1.13222	Canadi	1,1800 - 1,1865	1.7820-1.18	30   0.15-0	20mfs   -1.7	7 0.54-0 6	-1.94
Austrian Sch Belgian Franc	7.25	17.0933 50.9775	14.6758 43.6753	Netherlands.	2,0755 - 2,0855 38,45 - 38,65	2.0815 - 2.08 38.50 - 38.6		.50cpm 2.9: .00cpm 1.5: Gorepor 1.1:	160-156	on 161
Danish Krone	74	9.43612	8.09818	Demnark	7.124 - 7.164	7.154 - 7.16	0.90-0.9	Corepor 1.1	245-18	1.20
leitsche Mark . leth Golder	4 !	2.43252 2.74829	2.08634	W. Germany Portugal	18975 - 1.8470	18435-184	1 15	Sloton 3.4 -Sods -1.9	1.58-1.54	Ms -0.93
reach Franc	912	8.28714	7.10240	Spale	1504 - 1514 113.95 - 11A.65	114.20-114.	30 1 17	-22ats   -2.00	5 71-76	dis -2.61
ailao Liva aoanese Yes	땷	1781.83 168.516	1527.08 344.867	Horway	1345 - 1351 6.66 2 - 6.68 2	13494 = 1350 6.68 - 6.68	5 0.85-1.1	Offredis -2.3 Doredis -1.7	2.75-3.0	ds -1.74
lorway Krone panish Peseta .	21/2	8.8088G	7.56321 129.367	France	6252 6284	6.26-6.28	0.32-0	25cm 0.5	1.05-0.90	pag 3.20
panish Peseta . wedish Krona .	84	151_110 8,28054	129.367 7.11202	Sweden	6.264 - 6.29 127.45 - 128.25	128.05 - 128	15 0.65-0.8 15 0.51-0	49mm 4.44	1 47-14	ms 4.55
lerlys France	1 4 4	2.06617	1.77586 173.365	Amtria	12921 - 1299 15615 - 15715	12.981 <sub>2</sub> - 12.9 1.5670 - 1.56	9 335-26 80 0.51-0	5gropm 2.76 48cpm 3.7	147-144 10.00-8.00	2.78
reek Drach,	2012	201.969 N/A	173.365 0,779281	Switzerland .						
All SDR rates	are for Ja			legicitari car	and are quoted in 115 rency, Belgian rate	is for convertible	francs, Finan	cial franc 38.75	-38.85,	F 2001 100, 100 (100;
CURRE	NCY	MOVE	MENTS		EURO-C	URRENC	Y INT	EREST	RATES	
Jan.26		Sank of England Index	Morgany** Coarnety Changes %	Jan 26	Short term	7 Days notice	Cine Month	Yaren Moeths	Str Mouths	One Year
Sterling	<del></del> }-	98.1	-14.1	Sterling	123-1212	13-123	37-37	134-13	127-124	91-95
U.S Dollar		66,9	-11.9	US Dollar	103-103	104-104	101-10-	112-100	ni ii.	115-11
Canadian Dollar		202.7	-0.4	O. Callder	6-53	64-5H	64-6	64-64	64-62	65.64

OTHE	OTHER CURRENCIES										
Jan.26	£	3									
Acgustica Acstralia Acstralia Brach Finland Greece Hong Kong KorsofSthl Lorembury Hatlaylia Hesto Saudi Ar Singapore S. At CFol Tatean Tatean U.A.E.	299.35 - 273.85 13.8130 - 13.8260 123.50* - 1210.45 0.50685 - 0.50695 68.30 - 68.40 4 6975 - 4.8159 4007.95 - 4089.90 2.9010 - 2.9060 6.6435 - 6.6570 3.4215 - 3.4215 4.2345 - 4.2460 6.8130 - 6.9470 6.815 - 9.15 6.6650 - 6.5170	36.9200 - 17.0000 1.1379 - 1.1380 0.9900 - 1.0000 4.2770 - 4.2591 151.86 - 154.55 7.8000 - 7.8020 69.299 677.50 - 683.10 0.2845 - 0.28655 9.2770 - 2.7200 2.7170 - 2.7200 3.7200 - 3.7510 3.6725 - 3.6725									
	ar Julean and										

105.7 103.0 112.4 108.2 109.7 98.7 97.4 150.0

	"Schling rate	
S. Af (Car)	4.2345 - 4.2460	2.3910 - 2.3940
S. Af (Fn)	6.8130 - 6.9470	3.8460 - 3.9215
Taiman	48.85 - 49.15	27.60 - 27.30
U.A.E	6.6050 - 6.5170	3.6725 - 3.6735
M. Ziraland	2.9010 - 2.9060	1.6360 - 1.6390
Saudi Ar	6.6435 - 6.6540	3.7500 - 3.7510
Singapore	3.4215 - 3.4275	1.9315 - 1.9335
Licremboury	68.30 - 68.40	38.50 - 30.60
Minlaysia	4 8075 - 4.8190	2.7170 - 2.7200
Messica	4067 95 - 4080,90	2297 00 - 2303.00
Kores(Sth)	1200.80 - 1210.45	677.50 - 683.10
Koresk	0.50685 - 0.50805	0.28645 - 0.28665
Hong Kong	13.8130 - 13.8260 123.50°	7.8000-7.8020 69.25

**MONEY MARKETS** 

Little com	fort
THERE APPEARS to be little	and then sell it back to
comfort at the moment for	Bundesbank within a speci-
those hoping the recent	time. The paper is paid for
upward trend in European	D-Marks, and therefore dra

interest rates will be quickly reversed. Indications are that central banks will continue to keep credit conditions tight.
The West German Bundesbank drained funds from the Frankfurt money market yes-terday, and after the latest French trade figures there seems to be no prospect of any early reduction in Paris inter-

## UK clearing benk here inming rate 13 per cent from November 25

est rates. Today's December UK trade figures are not expected to show much improvement over the November current account deficit of £1.6bn and are the equally unlikely to herald any early cut in British

hank base rates.

A widening of the French trade deficit in December led to suggestions that interest rates will remain high, to discourage consumption and protect the franc in the EMS. Paris call money was steady at 84 p.c. yesterday, but period rates moved up & p.c. across the board.

In Frankfurt the Bundesbank withdrew liquidity via currency repurchase agreements, as call money fell to around 5.00 p.c. from 5.30 p.c. Under the terms of the agreement the central bank offered commercial banks a claim to purchase US Treasury paper, with expectations.

the liquidity. Dealers said if this had not been done call money could have fallen to 4.50 p.c.

today. In London rates had s slightly firmer tone, on ner-vousness ahead of the UK trade figures. Three-month interbank was quoted at 18%-13 p.c., against 131-13 p.c. The Bank of England initally forecast a money market creditshortage of £250m, but revised this to £200m at noon. Total help of £207m was pro-

Before lunch the authorities bought £112m bills outright, by way of £31m bank bills in band 1 at 12% p.c.; £71m bank bills in band 2 at 12½ p.c.; and £20m bank bills in band 4 at 12% p.c. In the afternoon the Bank of England purchased another £97m bank bills in band 1 at 12% p.c. Bills maturing in official

hands, repayment of late assistance, and a take-up of Trea-sury bills drained \$47m, with the unwinding of repurchase rise in the note circulation £45m: and bank balances below target £65m. These outweighed Exchequer transactions adding

£100m to liquidity. In Amsterdam period rates were barely changed after the Dutch Central Bank awarded six-day special advances in line

Attention is focused on the release today of UK trade fig-ures for December. A deficit much worse than the median forecast of a £1.5bn current account shortfall will put upward pressure on interest rates and hence support the pound

Sterling's exchange rate index rose to 98.1 from 98.0 at the opening and 97.9 on Thurs-day. Against the dollar, the pound rose to \$1.7725 from \$1.7710 and was also higher in D-Mark terms at DM3.2675 from DM3.2650. It rose against the yen to Y227.00 from Y226.25 and finished elsewhere at SFr2.7775 from SFr2.7750 and SFr2.7750 and SFr2.7750 from SFR2.77 FFr11.1125 compared with

FFr11\_1050. The French franc lost a little ground on news of a wider trade gap in December of FFr4.1bn against FFr3.6bn in November. This means that the shortfall during 1988 of FFr33bn was the worst for five years. The franc ended the day a little firmer

	Gordan Grade Faile		from	adir	change sted for ryomat	Divergence limit %
elgian Franc anish Krone transp D-Mi ench Franc nich Getider ish Pent.	7.8 2.0 4.9 2.3 0.76	9582 43.675 5212 8.0981 5953 2.0863 7.1024 1993 2.3550 3411 0.77928 3.58 1527.0	8 +3.13 4 +1.35 10 +2.87 11 +1.53 11 +1.41	+313 +106 ±15 +135 +270 ±13 +287 +432 ±13 +153 +252 ±15 +141 464 ±16		±1.5344 ±1.5404 ±1.0981 ±1.3674 ±1.5602 ±1.6684 ±4.0752
ustment. C	accepted by 1 amount					
POU	ND SPOT-	FORWAR	D AGAI	% 1	Three	1 %
POU	Day's spread	- FORWAR	Out streeth	% pa 360	Three martis	7. p.a.
POU	ND SPOT- Day's spread 1,7695 - 1,7770 2,0920 - 2,1050	- FORWAR	Out starth 0.56-0.55cpm 0.40-0.27cpm	% pa 360	Three coaths 1.56-1. 0.90-0.	53pm 3.4
POU	Day's spread	FORWAR Close 1,7720 - 1,7730 2,0945 - 2,0955 3,684 - 3,694	0.00 stantis 0.56-0.53cpm 0.40-0.27cpm 21 <sub>4</sub> -2cpm	% p.a. 3.69 1.92 6.71 5.27	Three martis 1.56-1, 0.90-0, 6-5	53pm 3.4
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POU Jan 26 Jan 26 Jan 26 Jan 27 Jan 27 Jan 27 Jan 27 Jan 27 Jan 27	Day's spread 1,749-2,17770 2,0930-2,1090 3,66-3,694,6820-68,66 12,573-12,703,12,166-1,22,40 3,254-3,273,273,273	1.7720 - 1.7730 2.0945 - 2.0955 3.684 - 3.694 68.30 - 68.40 12.66 - 12.69 1.2200 - 1.2210	0ut month  0.56-0.53cpm 0.40-0.27cpm 214-2cpm 33-27cpm 53y-44cmpm 0.56-0.50cpm 2-1.3cfcm	3.69 1.92 6.71 5.27 4.79 5.16 7.12	Three countles 1.56-1, 0.90-0, 6-5, 91- 151 <sub>4</sub> -14 1.50-1,	52 pm 3.4 71 pm 1.5 73 pm 6.4 81 pm 5.0 13 pm 4.6
Jan 26	Day's spread  1.7695 - 1.7770  20930 - 2.1050  3.68 - 3.694, 48.29 - 68.45  12.574, - 12.704, 1.2165 - 1.220  3.254, - 3.274, 23.254, - 3.275, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.254, - 3.255, 23.255, - 3.255,	Clesz 1.7720 - 1.7730 2.0945 - 2.0955 3.583 - 3.693 68.30 - 68.40 12.66 - 12.59 1.200 - 1.2210 3.354 - 3.27 264,70 - 367.70	0at month 0.56-0.53cpm 0.40-0.27cpm 21s-2cpm 33-27cpm 33-27cpm 53-44cmpth 0.56-0.50cpm 2-13-phpm 60-15cpm	3.69 1.92 6.71 5.27 4.79 5.16 7.12	Three counts 1.56-1. 0.90-0. 6.5 91- 151 <sub>2</sub> -14 1.50-1. 53 110-	51pm 3.4 71pm 1.5 71pm 6.4 81pm 5.0 13pm 4.6 13pm 4.6 15pm 6.8
Jan 26  Jan 26  Anda	Day's spread 1,749-2,17770 2,0930-2,1090 3,66-3,694,6820-68,66 12,573-12,703,12,166-1,22,40 3,254-3,273,273,273	1.7720 - 1.7730 2.0945 - 2.0955 3.684 - 3.694 68.30 - 68.40 12.66 - 12.69 1.2200 - 1.2210	0ae munth 0.56-0.53cpm 0.40-0.27cpm 2%-2cpm 33-27cpm 53-4-4,cropm 0.56-0.5cpm 2-1-5cpm 60-15cpm 35-20cm	% 3.69 1.92 6.71 5.27 4.79 5.16 7.12 1.63	Three countles  1.56-1, 0.90-0, 6.5 91- 151 <sub>2</sub> -14 1.50-1, 53 110-	51pm 3.4 71pm 1.5 71pm 6.4 81pm 5.0 13pm 4.6 13pm 4.6 15pm 6.8
POU Jan 26 mals theriands a lighter meant and secondary turgal and	ND SPOT-  077- 597- 177- 177- 207-20 - 21050 3.68 - 3.69 48.20 - 68.65 1.27- 1.27- 1.265 - 1.22- 2.26.35 - 26.35 2.28- 2.28- 2.28- 2.29- 2.29- 2	Core 1.7720 - 1.7730 2.0945 - 2.0945 - 2.0945 - 2.0945 - 2.0945 - 2.091 1.2.66 - 3.684 - 3.694 - 68.30 - 68.40 1.2.66 - 1.2.69 1.2.200 - 1.2.210 2.3.2.40 - 2.7.70 2.66.70 - 267.70 2.70 - 207.70 2.70	Oue munth  0.56-0.53cpm 0.40-0.27cpm 0.40-0.27cpm 33-27cpm 53-4-4,creph 0.56-0.50pm 2-1.7,pm 60-15cpm 25-20cpm 3-11frepm 2-1.4,creph 3-11frepm 2-1.4,creph	% BA 3.69 1.92 6.71 5.27 4.79 5.16 7.12 1.63 1.63 1.84	Three mustls 1.56-1. 0.90-0. 6.5 91- 151-14 1.50-1. 510- 50- 51-58	51pm 3.4 71pm 1.5 71pm 6.4 81pm 5.0 13pm 4.6 13pm 4.6 15pm 6.8
POUI	02/5 spread 1.7495 1.7770 2.0720 - 2.1050 3.68 3.694 48.20 - 68.66 1.2574 - 12.704 1.2165 - 1.2240 3.253 - 3.275 2.64.35 - 568.35 201.95 - 203.70 2365 - 2354 11.85 11.854 11.05 11.144	Core 1.7720 - 1.7730 2.0945 - 2.0955 3.684 - 3.694 68.30 - 68.40 12.66 - 12.69 1.200 - 1.2210 3.544 - 3.27 266.70 - 267.70 202.30 - 202.60 202.30 - 202.60 11.84 - 11.86 11.184 - 11.86	0x munth 0.56-0.53cpm 0.40-0.22cpm 2-4-2cpm 33-27cpm 53-42cpm 60-15cpm 35-20cpm 35-20cpm 35-20cpm 35-20cpm 4-34cpm 4-34cpm	% JLL 3.69 1.92 6.71 5.27 4.79 5.16 1.63 1.00 1.84 4.18	Three mustls 1.56-1. 0.90-0. 6.5 91-1. 1.50-1. 53 110-6. 51-51	51pm 3.4 71pm 1.4 71pm 1.4 81pm 6.4 81pm 6.9 15pm 6.9 15pm 0.9 15pm 0.9 15pm 0.9 15pm 0.9 15pm 1.7
Jan.25  Jan.25  Rods  Ro	ND SPOT-  00/5 spread  1.74-95- 1.7770 2.0730 - 2.1050 3.68- 3.694, 48.20- 68.66 12.574, - 12.704, 1.2165- 1.22-0 3.254, - 3.275, 2.264, 35- 2.268, 50 2.265- 2.295, 10 2.266- 2.295, 11 2.361, 11 2	Core 1.7720 - 1.7720 2.0945 - 2.0955 3.684 - 3.694 12.66 - 12.69 1.200 - 1.2210 3.64 - 3.27 202.20 - 202.40 21.164 - 11.11 21.11 - 11.11 21.11 - 11.14	0.56-0.55cpm 0.40-0.25cpm 24-3-2cpm 23-2cpm 53-2cpm 55-44,cmph 0.56-0.50pm 24-3-3cpm 3-11(repm 2-1-3-2cpm 4-3-3-2cpm 4-3-3-2cpm 24-3-2cpm 24-3-2cpm	% p.a. 3.69 1.92 6.71 5.27 4.79 5.16 7.12 1.66 1.00 1.84 4.18 2.29	Three months 1.56-1. 0.90-0. 6.5 91- 1.50-1. 53 110- 50-5 11-11 64-6	51pm 3.4 71pm 1.4 71pm 1.4 81pm 6.4 81pm 6.9 15pm 6.9 15pm 0.9 15pm 0.9 15pm 0.9 15pm 0.9 15pm 1.7
POUI Jan 25  roads	02/5 spread 1.7495 1.7770 2.0720 - 2.1050 3.68 3.694 48.20 - 68.66 1.2574 - 12.704 1.2165 - 1.2240 3.253 - 3.275 2.64.35 - 568.35 201.95 - 203.70 2365 - 2354 11.85 11.854 11.05 11.144	Core 1.7720 - 1.7730 2.0945 - 2.0955 3.684 - 3.694 68.30 - 68.40 12.66 - 12.69 1.200 - 1.2210 3.544 - 3.27 266.70 - 267.70 202.30 - 202.60 202.30 - 202.60 11.84 - 11.86 11.184 - 11.86	0x munth 0.56-0.53cpm 0.40-0.22cpm 2-4-2cpm 33-27cpm 53-42cpm 60-15cpm 35-20cpm 35-20cpm 35-20cpm 35-20cpm 4-34cpm 4-34cpm	% JLL 3.69 1.92 6.71 5.27 4.79 5.16 1.63 1.00 1.84 4.18	Three mustls 1.56-1. 0.90-0. 6.5 91-1. 1.50-1. 53 110-6. 51-51	52pm 3.4 71pm 15.5 81pm 6.4 81pm 6.4 81pm 6.4 81pm 6.4 81pm 6.4 81pm 6.7 82pm 6.8 1,55pm 6.7 1,5pm 6.7 1,5pm 1.7 1,5pm 4.0 1,5pm 1.7 1,5pm 2.3 1,5pm 2.7 1,5pm 2.7 1,5

Portugal	, Belgian rate è	for convertible	15. 17. 17. 17. 17. 17. 17. 17. 17. 17. 17	35cdo -1. 22cdo -2. Olfredis -2. 25cpm 0. Octobis -1. 48cpm 3. d documbs appial franc 38.7	75 2.75-3.0 1.05-0.9 38 1.65-1.9 1.47-1.4 78 10.00-8.0 79. 1.45-1.4 by to the US dall 5-38.85,	Edits -0.95 Satis -2.61 Odds -2.55 Satis -1.74 Open 3.20 Satis -1.15 Open 2.78 Open 3.64
Ju Zi	Short tra	7 Days notice	Cine Month	Tires Mosts	Str. Months	Care Year
teritog IS Dollar In Dollar I, Golider In Franc In Franc I Franc	123-1211 914-9 103-1054 6-53 43-43 55-5 85-85	13-127 91,-9 103-105 63-51 53-53 53-54 85-85	134-134 91-91 101-102 61-61 51-51 81-64 111-114	13-13-13-13-13-13-13-13-13-13-13-13-13-1	127-121 92-92 113-11 62-62 51-65 64-68 81-81	124-124 98-98 114-114 64-64 54-64 54-64 54-64 88-88 124-12

Fr. (Fin) Fr. (Con.) Krone tan SSing	75-77 44-85 90-90	73-73 73-74 45-45 84-84 94-94	74.44	777486 777486	75.44.64 76.44.64 76.44.64	777448 78489	
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istan SSing		918-9	9,	1-97	94-94	9	7-97	47-90	9	4-92
Long ter 12-91	n Eurodol Per cent	lars: two y pominal.	ears 951-9 Short term	El per cent rates are	three year	rs 952-97 Dollars a	percent; od Japanes	four years 'e Year; ach	9H-9H pc 05, two da	rcent; f ays' mot
		ND	CHA	NGE	CRO	)38 I	RATE	3		
Jan 26	2	3	DM	Yes	F Fr.	S fr.	OFL	Lina	C\$	0 F
\$	0.564	1773	3.268 1.843	227.0 128.0	11.11	2.778 1.567	3.690 2.081	2398 1350	2.0% 1.182	68.3 38.5
MG	0.306 4.405	0.543 7.811	1 14.40	69.46 1000.	3.400 48.94	0.850 12.24	1.129 16.26	7923 10542	0.642 9.229	20.9 301
F Pr. 3 Fr.	0.900 0.360	1.5% 0.638	2941 1,176	204.3 81.71	10 3.999	2.500 1	强	2154 861.4	1.886 0.754	61.5 24.6
H FI. Ura	0.271 0.418	0.480 0.741	0.886	61.52 94.86	1011 466	0.753 1.161	1502	648.5 1000.	0.568 0.875	18.5 28.5
C S O Fr.	0.477 1,463	0.846 2.594	1.560	108.4 332.1	5.303 16.25	1.376 4.064	1.761 5.399	11/42 3501	3.065	32.6 100.

### Yen per 1,000: French Fr. per 10: Ura per 1,000: Seigian Fr. per 100. Estimated Volume 11337 (10417) Previous day's open lat, 18746 (18026) FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means rounded to the nearest one-statesoth, of the hid and offered rates for S20m quanted by the mortes to five reference banks at 11,00 a.m. each working day. The hards are Rational Meximinator Bank, Bank of Tokyo, Deutsche Bank, Bangoe National de Paris and Morgan Guaranty Tract.

		IONE	/ RAT	ES		
NEW YORK			Treasur	Bills and	Bonds	
Apm) Priore rate Broker loan vate Fed funds Fed funds at Intervention	104-15 94	Gee menth Fiso stantis Three month The year Two year		8.18 Three 8.20 Fow; 8.46 Five; 8.87 Septe 9.08 10-pc 9.17 30-pc	year lear Juar	9.19 9.15 9.12 9.66 9.04 8.85
Jan 26	Overnight	One Month	Two Months	Three Months	Str. Months	Lombard Intervention
raskriart  aris,	5.00-5.10 83 <sub>3</sub> -83 <sub>2</sub> 43 <sub>3</sub> -45 <sub>3</sub> 6.06-6.18 337-33 113-12 8.00 73 <sub>2</sub> -73 <sub>3</sub>	549 6275 54 627 680 640 124 124 7 7 7 7	5.55.5.70 83.53.	5,70 5,85 81-81 51-51 62-622 421-121 78-71 8-81	5.85-6.00 83-83	6.60 7.25

LONDON MONEY RATES										
Jan.26	Overalght.	7 days notice	One Month	Three Months	Six Months	One Year				
Interbank Offer Interbank Bid	13	131, 12%	137 137 137	137 137 137	121 121 121 121 121	12. 12.				
Discount Mixt Dess. Company Deposits Finance House Deposits Treasury Bills (Buy) Bank Bills (Buy)	12%	12%	120	121 131 131 127	1212 1212	123 124				
Batta Bills (Bug) Dollar CDs SOR Linked Dep Offer SDR Linked Dep Bid ECU Linked Dep Offer	-	:	9.15-9.10 13-4 13-4 13-4 13-4 14	125 133 9.30-9.25 78	9.45-9.40 9.45-9.40	84				
ECU Linked Dep Offer ECU Linked Dep Bid Treasury Bills (sell); one-month 1233 per car		1245 per ce	8½ 0	85 0 4 oths 1243 pe	61 <sub>2</sub> 81 <sub>2</sub> reset: Basi	85 <sub>6</sub> 81 <sub>2</sub>				

### **FINANCIAL FUTURES**

## Trade data may test sentiment

1-mth, 3-mth, 6-mth, 12-mth, 17671 17572 17457 17298

U.S. TREASURY BRLLS (C) Star paints of 186%

Pres. 90-30 90-23 90-18 90-14 90-08 90-08

**EUROPEAN OPTIONS EXCHANGE** 

Vol Last Vol Last 50 0.50 10 3.70 105 2.50 110 6.50 125 13.80

Mcb. 89

41 4.60 37 2.40 40 1.20 16 2.70

Jal. 89

131 0 29

BASE LENDING RATES

Comm. Bk. N. East ...

Cooperative Bank Contis & Co Coperative Bank Contis & Co Coperative Popular Bit ... Souther Bank PLC ... Duncan Laurie ....

Robert Flenkry & Co. ... Robert Fraser & Ptars. ...

Rambres Bank \_\_\_\_\_
Heritable & Gen Inv Bank

HFC Bank plc.

C. House & Co.

2.20 1.80 6.20 6.50 3 3.10 3.40

23 2.60 2.20 1.20 4.20 4.20 4.20 6.30 3.30 310 372 376 184 162 167

5 B

1.80

2.10 5.20 4.50

10 8.50

3.20

7.50 3.60 3.90 4.40 54 55 16 15

3.50 1.80 2.40

5.80 9.30 3.50

HartWesturinster
Harthern Bank Ltd
Harnich Gen. Trust
PRIVA Thanken Limited

Provincial Bank PLC
R. Raphael & Sons

Robbright & ration
Royal Bit of Scotland
Royal Trust Bank

Smith & Willers Ses.
Standard Chartered

United Bk of Knorait .... United Mizzald Bank ...

Unity Trast Bank Pic ....

Western Trest
Western Basek Corp.
Windsaway Laidlam

• Hembers of British Merchant Banktog & Securitles Houses Association. • Deposit now 5.22% Savewise & 4.7%. Top Ther-£10,000+ instant access 11.72% & Merchane base rate. § Demand deposit 6%. Mortgage 13.625% - 14.00%

Oct. 89

261 94 7

281 23

62 25 10 2.50

130 5694

50 0.50 105 2.50 125 13.80

F1, 205 | 105 | 4 A F1, 210 | 1443 | 1,25 F1, 215 | - - -F1, 205 | 50 | 1,20

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Bank of Cyprus
Bank of India
Bank of India
Bank of Scotland
Banque Belge Liaf
Barclago Bank

Brown Shipley
Brisless Mage Tst
Cl. Bank Hederland
Cestral Capital
Charterhouse Bank
Citizant National

0.90 1.40 3 5.10

Feb. 89 Feb. 89

A TEST of sentiment will be seen on the Liffe market today, as the City reacts to the December UK trade figures. Dealers are likely to be wary of but traders warned that any advance is likely to be limited by a softening of the pound on the foreign exchanges.
Sterling's strength is a product of high interest rates, the better the trade figures, the buying March short sterling contracts, unless the trade news is very good. A figure substantially lower than the expected deficit of around £1.5bn could push short ster-ling above resistance at 87.41, less likely it is that rates will move up again.
At the same time the market

does not fear an early increase in rates, unless the trade news LIFFE LONG CELT FUTURES OPTH 是经验的现在分词 133 13 106

Estimated volume total, Calls 4040 Pots 1702 Previous day's upon lat. Calls 27623 Pats 17386 LIFFE SIS OPTOMIS £25,000 lembs per £10

1525533337 1535533337

PHEADELPHIA SE E/S OPTIMIS \$31,250 (cods per £1) AP 2 97 4 25 5 80 7 .57 9 5 8 Feb 0.72 1.74 3.32 5.41 7.74 10.17 12.64 LONDON (LIFFE)

Close High Low Pres. 97-10 97-16 97-03 97-08 98-05 98-07 96-02 98-04 7-10 YEAR 9% HOTTHKAL GELT ESR,000 32mb of 100%

Est., Vol., Chec., figs., not, shown) 18029 (23294) Provious day's open lat., 56313 (54236)

197.90 198.50 196.40 197.30 201.05 200.50 Esthuated Volume 2969 44747) Previous day's open Inc. 15473 (16869)

90.43 90.51 90.40 90.49 90.43 90.50 90.33 90.41 90.39 90.38 90.39 90.40 Est., Vol. (inc. figs. not shown) 11047 (9781) Provious day's open int. 455% (45153) 90-14

Good High 95.03 95.18 91.46 94.59 95.95 94.05 95.01 91.45 91.05

recount 12-39 per cent, three months 12-3 per cent, Trees my Bills: Average tender rate of discount 12-40 pe. ECGO Fixed Rate Sterling Export Finance. Make up day december 30. 1988. Agreed rates for paried January 25-1989 to February 25-, 1989, Scheme 11.33-77 p.c., Scheme 11.34-37 p.c. Reference rate for period December 1 to December 30. 1986, Scheme 11.375 p.c., Scheme 11.375 p.c., Local Authority and Finance Houses seven days notice, others seven days fixed. Finance Houses 8ase Rate 13 from January 1, 1989. Sank Deposit Rates for some at seven days notice 4 per cent. Certificates of Tax Deposit Series 6). Deposit \$100,000 and over held under one month 92 per cent, one-three months 11 per cent; these-fix months 11 per cent; six-due months 11 per cent; aims-tue-tive months 11 per cent; these-fix months 11 per cent; six-due months 12 per cent; aims-tue-tive months 12 per cent; one-three months 12 per cent; three six months 12 per cent; aims-tue-tive months 12 per cent; because 1, 1988. Deposits withdrawn for cash 5 per cent.

## **CROSSWORD**

is exceptionally bad. Dealers said that although some fin-gers were burned by the failure of short sterling to consolidate

above 87.41 on Wednesday,

some comfort could be gained from its ability to hold a sup-

port level of 87.28 yesterday.

Trading was quiet yesterday with the contract closing at

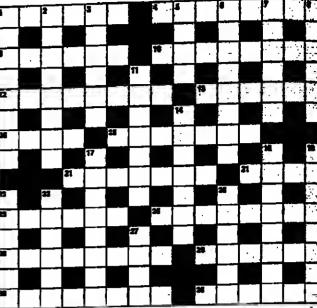
87.30, compared with 87.37 pre

0.7955 0.7965 0.7963 0.7966 0.7960 0.7960 0.7943 0.8006 0.7960 0.7960 0.7943 0.8006

High Low 90.50 90.39 90.50 90.38 90.50 90.38 90.40 90.28 90.52 90.42 90.52 90.42 90.53 90.42 90.53 90.42 90.53 90.42

LIFFE SHORT STERLING

No.6,845 Set by VIXEN



ACROSS 1 He simply will not eat more

quickly (6)
4 A set time for forming e judgment (8)
9 Men serving one with the wrong fruit (6)

10 Worn-out after swin-dls - and conscience-

stricken (8) 12 Changing a lot in an inhab-

itant (8)

13 Disregard some sign, or eye it decisorily (6)

15 Celebrated old Chinese (4)

16 Popular military leader (7)

20 Drawing round interior of box (7) 21 School point-to-point (4)

25 Muscular married men? (6) 26 Access for transport (8) 28 Liberal favouring a studen accepting work on the land 29 For example a head backing introductory course (6) 30 Like the lower house, and yet unique (8)
31 Direct the formation of a

3 The newspaperman's "Right, love, time's up!" (6) 5 A quarter record work dog-gedly (4)

6 Altering the entire make-

(6)
5 The French may appear in uniform as a team (5)
11 Regrets strike over wrong

order sent (?)
14 Touching spring produces a reaction (?)
17 Stuff that's relevant (8)

18 Flag, as usual (8)
19 Intrigue can bring profit (8)
22 Plug for late retirement? (4,2) 23 Previously carried around a

couple of notes (6) 24 Enthusiasm makes the aca demician turn sullen (6)
27 The guards are quiet and awfully sad (4)

certain trust (6) DOWN

1 Company head showing great determination (8)

2 Landed in smart environment, which is ripping (8)

Solution to Puzzle No.6,844

### **COMPANY NOTICES**

USDOL 100.000.000 Floating Rate Notes Due 1987

interest rate of 91,% per annual with an interest amount of USDOL 284.28

be April 27, 1969. rest Parities (Luxembourg) S.A.

**NEWS INTERNATIONAL PLC** US\$ 100,000,000 100.000.000 Floating Rate Notes Due 1990

April 20, 1909 the nose will carry as interest rate of 65 % per annual with an interest amount of US\$ 240.65 per US\$ 10.000 note. The relevant interest payment date will be April 26, 1808.

Banque Parities (Lovembourg) S.A. Adont Burg.

AND TO PETTAM SHE IN

NOTICE IS HEREBY GIVEN that is Polition was on the 22nd December 1988 presented to less Majority's High Court of Justice for the confirmation of the concelletton of the Shere Premium Account of the above passed Con-

Previous Account of the above named Company.

AND NOTICE IS FURTHER GIVEN that the seld Petition is directed to be treard between the Houceastle Mr. Justice Millett of the Royal Courts of Justice, Strand, London WC2A 2LL on Mondey the fits day of February 1809.

ANY Creditor or Stratebolder of the seld Company desiring to oppose the melding of an Order for the confirmation of the seld cancellation of the Share Prenium Account should appear at the time of bearing in person or by Coursel for the propose.

A copy of the seld Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the sense.

(ARTEO 1814 25th day of January 1935

Wildeson Meughan 27 Grainger Street Newcasse upon Tyne NE1 6JY Solicitors for tile above named

PERSONAL

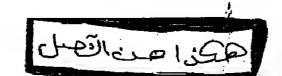
IS STRESS **GETTING TO** YOU?

First signs of stress include: Headaches & neck pain, steep diffi-cutties, forgetfullness, tiredness & irritability.

Loft suchecked this could be risking your health, work and relationships. Psy-County Ltd. Preferational Qualified Countyputs. 93-906 4

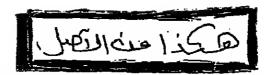
SPONSORED SECURITIES 303 185 Am. Brit. Ind. Ordinary
300 186 As. Brit. Ind. Cals
42 25 Armitage and Rindes
57 30 880 Design group (USNO
173 150 Bardon Group (SD
174 100 Bardon Group (SD
174 100 Bardon Group Cx, Pref. (SD
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177 176 CX, Group Cx, Pref. (SD
177 176 CX, Group 1176 Canv. Pref.
170 124 CXI. Group 1176 Canv. Pref.
171 129 Carbo Pic (SE) 4.8 4.8 1.8 25.6 6.4 4.6 7.9 10.3 4.3 4.9 2.1 2.7 6.7 5.2 11.0 12.3 14.7 6.1 10.3 12.0 43 49 88 41 13.0 9.4 33 7.9 113 100 Carbo 7.5% Prof (SE) ... 110 3.3 29 127 286 104 405 7.5 8.0 7.7 . 7.2 19 20 368 29 131 200 100 Torday & Cartisle Com Pri 98 56 Tretian Holdings (USM) ... 113 100 Unitshit Europe Core Prif 365 360 Veterinary Oring Co. Pic ... 362 .203 W.S.Yapts ... 270 10.7 2.7 8.0 10.2 2.9 10.3 7.5 These Securities are dealt in strictly on a matched largely limits, Melther Limited nor Granville Darles Limited are market makers in these securities Genetité & Co. Limins.

6 Leves Laux, Louise BCSR 4807
Telaphone 61-621 1212
Meanber of TSA Graville Desin Limina' 8 Louis Lime, Louise 2002, 1989 Telephona 03-621 1212 ker, of the Stock Rachemer & TSA



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### **WORLD STOCK MARKETS**

AUSTRIA			
January 26 Sch + er -   January 26 Frg. + er -	- Intel E 119	TALY (continued)   SWEDEN     Junuary 26   Lire   + tr   Junuary 26   Kroner + tr     Reserve 12   Junuary 26   Kroner + tr     Reserve 12   Junuary 26   July 195   July 195	CANADA
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Production   1302   130   13		Basec Bilhao Viz	Jan   Jan   Jan   Jan   Jan   Jan   Jan   Jan   1989/89   Since compilation   26   25   24   23   High   Low   High   High   Low   High   H
Allowards	Nikos Sec	Takara Sasso	TRADING ACTIVITY   1 Volume
Desired Stephate   2,980	Rissis Electric   926   47     Rissis Food   3,000   -10     Rissis Food   1,270   +10     Rissis Roseld   775   -5     Ristis Glest Ind   1,000   -10     Ristis Glest Ind   1,000   -10     Roserta   3,950   -10     Roserta   1,200   -10     Roserta   1,200   -10     Roserta   1,200   -10     Roserta   1,200   -10     Roserta   1,710   -10     Ristis   1,200   -40     Ristis   1,200   -10     Ristis   1,200   -10	Toron Comparison   2803	TOKYO - Most Active Stocks Thursday 26 January 1989    Shocks Closing Change Prices on day 1.500   Prices on d

NEUSS, KÖLN, BONN, FRANKFURT, OFFENBACH, HÖCHST, ESCHBORN, RÜSSELSHEIM, MAINZ, WIESBADEN, MANNHEIM, LUDWIGSHAFEN, STUTTGART, MÜNCHEN,

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FINANCIAL TIMES SEUROPE'S BUSINESS NEWSPAPER

| 1.7 | 417 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 | 281 73 April prof. 69
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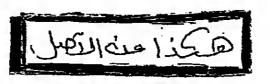
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## **AMEX COMPOSITE PRICES**

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## Self-confidence lifts Dow as volume soars to 212m

### Wall Street

A STRONGER-than-expected rise in US durable goods orders during December was shrugged off by the equity market yesterday and modest losses at the opening were turned into another substantial rally by the close profess James

rally by the close, writes Janet
Bush in New York.
The Dow Jones Industrial
Average, which has ootperformed other market indices
because of heavy buying of blue chip issues, closed 25.18 points higher at 2,291.07. Volume surged to 212m, the first time more than 200m shares have changed hands in

a session since early October The Dow briefly traded above 2,300 in afternoon trad-ing before slipping back

towards the close. bowards the close.

Durable goods orders rose a seasonally adjusted 6.4 per cent last month compared with forecasts of an increase of less than 1 per cent. Even stripping out defence orders, they rose 5.4 per cent and, taking out

transportation orders, they increased by 1.6 per cent.
That news triggered early selling in the US Treasury bond market but the decline was only modest, partly

reflecting a surge in the dollar in currency markets.

By late trading, bond prices

were quoted as much as a point higher at the long end of the yield curve while the dollar stood near its session highs at Y128.30 and at DML8475. There has been a marked

increase in volume on the New York Stock Exchange in recent days with the number of shares changing hands each day rising to around 180m compared with totals of around 120m late last year. Although other indices such as the Standard & Poor's 500 have not done as well as the

Dow, the higher volume is encouraging.
The market's advance on Wednesday was not nearly as convincing as its sharp rise on Tuesday but was fairly positive given weakness in bonds and

The focus of the equity market in the late part of this week has been not so much what is going on in other markets or even the economy but rather on its own performance, now that it has reached territory not seen since before the Octo-ber 1987 stock market crash. So far, it has seemed very robust but there is some scepti-

cism about whether the market will be able to advance very

Today's preliminary estimate of fourth quarter GNP will be one focus for the equity market. The consensus forecast is for growth of 24 per cent compared with 26 per cent in the third quarter. US financial markets will also start turning their attention to next week's Group of Seven meeting in Washington.

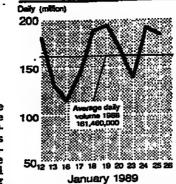
Among featured stocks yes-terday was RJR Nabisco which rose \$% to \$95% on reports that a \$3bn offering of junk bonds to complete the financing of the deal had been oversubscribed.

A number of stocks weak-ened because of disappointing results. Telxon dropped \$2% to \$17% after reporting fiscal third quarter earnings at the low end of expectations. AMRE dropped \$2% to \$7% because the company expects a \$2m

loss in its latest quarter.
Champion Spark Plng
jumped \$1 to \$19 in the wake of
a \$17.50 a share friendly bid by
Dana Corp. Rumours that another suitor may emerge prompted heavy trading. Stone Container fell \$1% to \$33% after it announced it

would make a cash tender offer for Consolidated-Bathurst. Among blue chips, IBM was up \$2% to \$125% and American

**NYSE Volume** 



Telephone & Telegraph, which announced a loss of \$3.34bn in the fourth quarter, added \$%

Procter & Gamble, which posted net income in the second quarter of \$1.92 a share compared with \$1.52 a year ago, gained \$11/2 to \$89%.

### Canada

HIGHER gold and oil prices pushed Toronto sharply upwards at midsession. The composite index soared 42.7 to 3,610.6 on volume of 28.1m

Consolidated-Bathnrst jumped C\$7% to C\$24% after a bid from Stone Container of

The entire forest products sector benefited from the Consolidated-Bathurst takeover offer. Domtar gained C\$% to C\$16% and MacMillan Bloedel

### EUROPE

## Company tidings spark brisk trade CORPORATE news kept 1988 profits similar to those in

European bourses busy yester-day and, while the inevitable profit-taking did set in, selling pressure was not great, writes Our Markets Staff.

FRANKFURT succumbed to profit-taking after climbing for two consecutive sessions, although there was still a general reluctance to sell. Corporate news kept trading active, volumes reached

The DAX index rallied at midsession, only to fall back and close off 11.30 at 1,329.73. The FAZ index ended the day 4.83 lower at 559.25.

One salesman said it was mainly the short-term player who was actively taking prof-lts. "The long-term player and institutions are not put off," he

Siemens gave up DM5 to

DM531 on news of first quarter profits in line with expecta-tions. The chairman added that this year's earnings would not be below last year's, although corporate takeovers could ect short-term profits. Hoechst rose DM4.50 to DM301, with demand fuelled by an upward revision of earnings for the chemicals industry by

Karstadt, with a 4.7 per cent rise in 1988 sales, eased DM3.50 to DM448.50 and Kaufhof added

50 pfg to DM420, forecasting

Degab, the research institute of

In the construction sector,

Holzmann built on the previous day's gains picking np another DM43 to DM697, a rise of 6.6 per cent, on sharply

improved earnings forecasts.

PARIS gave up some ground
after Wednesday's strong
gains, but received a bit of a
boost in late trading from the
stability of Wall Street. The
CAC 40 index gave up 12.30 to
1,667.42 and the OMF 50 index
lost 3.90 to 465.40 lost 3.99 to 453.40.

Early sentiment was knocked by worse-than-expected trade figures for December and trading was curtailed by a bourse employees' strike which delayed blue chips dealing for more than an hour. more than an hour.

Bouygues, which announced a 4.4 per cent rise in annual profits on Wednesday — slightly below expectations — fell FFr23 to FFr633. SCOA was again among the most heavily traded, falling FFr3 to FFr65. Elf Aquitaine was one of the

stocks to benefit from Wall Street's early performance, ending FF12 lower at FF1443, having been down FF18. Rhone Poulenc certificates d'investissements, now trading on the continuous market, rose FFr15

to FFr575 in active trade. ZURICH was taken lower by a negative reception for Adia's link-up with Inspectorate, with the Crédit Suisse index easing Adia bearers fell SFr800, or 8.6 per cent, to SFr8,450, hav-ing been as low as SFr8,250. Inspectorate bearers added just SFr25 to SFr2,220.

Nestlé bearers edged up SFr5 to SF17,340, with the company announcing after the close that 1988 sales rose by 15 per cent. AMSTERDAM was another bourse to benefit in late trading from the strength on Wall Street, closing off its lows. The CBS tendency index edged up 0.8 to 163.8.

Investors returned to chemicals stock Akzo after selling off recently for the forthcoming listing of fellow chemicals com-pany DSM and amid expecta-tions of a higher dividend when Akzo's 1988 results are reported next week. Akzo added Fl 1.70 to Fl 155.20, while on the grey market DSM was quoted at Fl 114.20, against the

previous F1 113.90.

MILAN edged above morning lows, but most stocks ended mixed to lower as the market's worries about the prospect of capital gains tax on share transactions resurfaced. The Comit index slipped 1.49 to 605.33 in volume similar to

Wednesday's.

Fiat dropped L85 to L9.872, falling further after the close. Its good results reported on Tuesday had mostly been discounted

Benetton, the clothes maker.

sained L469 to L11.479. It is die cussing a joint venture in Aug. tralia concerning the possible construction of a wool plant. BRUSSELS closed mixed by

higher in moderately active trading, boosted by familiarinterest. The three newly computerised stocks again draw heavy turnover; retailer the line was steady at BFT1,465 at 21,200 shares changed hands, chemical group Solvay rose BFT50 to BFT13,600 on 5,375 shares and Tractabel was unchanged at BFT8,800.

Steel shares declined, with Cockerill easing BFT1 to BFT354 on 16,000 shares traded and Luxembourg-based Arbed off BFT45 at BFT4,450 on 8,450 higher in moderately

and Luxembourg-based Arbei off BFr45 at BFr4.450 on 8,455 shares. The cash market index gained 8.7 to 5,788.6.

STOCKHOLM racked up its third consecutive record high, with very few sellers in evidence. The Affarsvärlden ganeral index rose to an all-time high of 1,066.0, up 8.6, and turnover reached SKr450m in over reached SKr430m in

MADRID moved higher for a second day, led by rising blue chips, in spite of caution after the deadlock at talks between the Government and unions on Wednesday. The general index picked up 0.99 to 280.44. OSLO was taken higher still by strong foreign and domestic demand, with the all share index climbing past 400 to 401.34, a rise of 3.28.

### **ASIA PACIFIC**

## Nikkei slips as caution dominates

### Tokyo

THE POSSIBILITY of restrictions on margin transactions which has been lingering in the air for the past few days kept investors on their toes. Share prices dropped moderately in what was generally taken to be a necessary correc-tion, writes Michigo Nakamoto

in Tokyo. "People haven't decided which way to jump," was the way one hroker put it. The Nikkei average moved within a fairly narrow range before closing down 55.98 at 31,511.81. Considerable buying interest

kept issues that advanced at 475, slightly ahead of those that declined at 458, while 166 issues were unchanged. Turnover dropped to 1bn shares from Wednesday's 1.17bn. The Topix index of all listed

shares dropped 4.90 to 2,458.09, while in London, the ISE/Nik-kei 50 index moved higher,

In Tokyo, investors had been cantious for the past few ses-sions since rumours spread that signs of overheating in the market were leading authori-ties to consider restricting margin transactions. Even without those rumours to put a damper on activity, the feeling had begun to spread that the market would do well to take a day or two of rest.

"The correction was sup-posed to come on Wednesday," said Mr Mitsuru Maekawa at

Jardine Fleming. However, investors were carried away by the excitement over Wall Street's previous overnight rise, with arbitraging lifting the Nikkei again. Yesterday's downturn was a natural exten-sion of events, he said.

Remarks by the Bank of Japan's governor, Mr Satoshi Sumitz, that the central bank was prepared to take quick action . should the economy show serious signs of overheating, also left investors wonder ing what the central bank's short-term policy was on inter-

The market's present sensitivity to interest rates was reflected in the decline of issues that are considered to be interest-rate sensitive, such as large-capital steels, and the rel-ative strength of those that are known as inflation-hedge stocks, particularly non-ferrous

Among large capital issues, NKK was the third busiest

dropping Y2 to Y966.

Non-ferrous metals were favoured as steady issues in the face of possible inflation. Nippon Mining gained Y14 to Y881 in heavy trading and Sumitomo Metal Mining rose

Y10 to Y1,600. Maruetsu, a chain store oper-ator, advanced Y200 to Y1,750 on rumours that the Seibn group, which owns a depart-ment store chain, is interested in buying the company. Several construction issues

staged a strong performance. Such stocks are likely to benefit from the Government's fiscal investment, particularly those expected to receive more orders when projects to lay the three new bullet train lines begin next year. Sato Kogyo, which has tunnel-building experience, added Y60 to YI,250 and Nishimatsu Construction, a specialist in large-scale civil engineering projects, advanced Y60 to Y1,070.

In Osaka, the OSE average was supported by interest in resources issues and finished up 21.76 at 29,671.67. Turnover was slightly lower at 111m shares against 122.7m.

### Roundup

TURNOVER jumped in Australia and Singapore, where share prices ended higher, but South Korea saw its lowest volume since the middle of last year. AUSTRALIA had a busy seshelped take volumes above A\$400m for the first time in

eight weeks The All Ordinaries index added 3.5 to 1,540.0, and turnover rose to 192.8m shares

worth A\$432.5m.
Options expired in BHP,
Elders IXL, MIM and National Australia Bank and all saw heavy trading BHP fell 4 cents to A\$7.48 on volume of 16.9m shares while Elders moved 5 cents higher to A\$2.98 on 18m shares traded.

SINGAPORE saw volumes nump to their highest level in five months, spurred by the overnight rise in New York, and share prices ended higher. The Straits Times industrial index rose 7.32 to 1,108.71 and turnover increased to 78.2m

shares from 56.8m. Keppel was the busiest stock, rising 4 cents to \$\$3.26 on turnover of 6.7m shares, boosted by a block deal of 5.75m shares. Keppel warrants rose 2 cents to 78% cents with

2.2m units changing hands, BONG KONG appeared happy to see Wednesday's land auction over and done with, and bullishness returned in later trading enabling stock

prices to gain ground.

The Hang Seng index ended 9.83 higher at 2.910.57 on turnover worth HK\$1.22bn, little changed from Wednesday. The land auction price had been expected by many to be higher than it was.

International Maritime Caring 7% cents to HK\$4.67%. SOUTH KOREA suffered its lowest turnover for about six months, while the composite index rose 3.06 to 861.46.

### **SOUTH AFRICA**

DEMAND for quality stocks helped Johannesburg close higher, Gold shares firmed on the back of an improved bul-lion price, with Buffelsfontein up R3.50 at R56.50.

	-			PRI	PRICE				TOTAL RETURN		
Market	No. of stocks	December 1988	% Change on Nov (Dollar ten	% Change on Dec 31 '87 ms)	December 1988 (Lo	% Change on Nov cal currency	% Change on Dec 31 '87' terms)	December 1988	% Change on Hov (Dollar terms	% Change of Dec 31 '37	
Latin America	(158)	152.9	6.9	77.1				200.6	7.3	94.2	
Argentine	(24)	177.8	1.2	30.3	16,064.4	6.7	506.5	199.0	2.1	40.4	
Brazil	(56)	92.3	20.6	104.3	20,644.7	54.6	1,999.0	126.6	21.1	131.0	
Chile	(25)	457.1	2.7	22.2	880.8	4.6	31.1	694.7	3.9	37.0	
Mexico	(53)	347.4	-6.8	98.5	4,168.2	-6.4	109.3	448.4	-6.8	107.8	
Asia	(204)	290.1	- 10.0	76.0		_	_	355.5	- 10.0	83.6	
Korea	(61)	475.3	12.3	93.7	393.6	11.8	66.8	777.6	12.4	112.8	
Malaysia	(62)	108.9	2.2	22.1	121.7	3.5	33.0	126.6	2.4	29.2	
Taiwen	(62)	673.6	-24.1	98.6	481.0	-23.8	96.8	733.8	-24.1	101.2	
Thailand	(19)	218.2	- 1.7	30.8	202.5	-1.1	30.6	360.7	-0.5	42.5	

IFC EMERGING MARKETS INDICES

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 26 1989					WEDNESDAY JAMUARY 25 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Oiv. Yleid	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	153.67	+0.1	128.54	116.26	4.63	153.57	128.56	115.93	153.67	91.16	97.97
Austria (18)	96.36	-0.6	80.60	92.41	2.66	96.93	61.15	92.87	100.00	83.72	89.50
Belgium (63)	135.90	+0.2	113.68	130.04	3.86	135.62	113.53	129.77	139.89	99.14	105.74
Canada (126)	135.03	+1.6	112.94	115.62	3.15	132.86	111 22	113.96	135.03	107.06	109.04
Denmark (39)	158.37	-0.1	132,47	154.17	1.97	158.58	132.75	154.27	161.60	111.42	113.68
Finland (26)	133.52	-0.5	111.68	119.31	1.46	134.17	112.32	119.98	139.83	106.78	110.43
France (131)	118.60	-0.6	99.20	116.65	2.78	119.33	99.89	117.36	11933	72.77	74.13
West Germany (102)	86.12	-0.7	72.03	82.56	2.29	86.68	72.57	83.06	90.40	67.78	68.38
Hong Kong (46)	120.73	+0.3	100.99	120.92	4.08	120.41	100.80	120.59	120.91	84.90	91.49
ireland (18)	133.70	+0.1	111.84	129.75	3.88	133.57	111.81	129.93	144.25	104.60	112.85
taly (98)	84.18	-0.5	70.41	84.87	2.37	84.63	70.85	85.20	86.88	62.99	70.39
Japan (456)	194.35	-0.6	162.56	157.37	0.48	195.53	163.69	157.90	197.43	133.61	149.46
Malaysia (36)	152 30	+0.7	127.39	159.46	2.67	151.28	126.65	158.04	154.17	107.83	119.14
Mexico (13)	161.29	+0.1	134.91	405.59	1.26	161.13	134.89	405.19	182.24	90.07	
Netherland (38)	114.72	-0.3	95.96	109.02	4.53	115.04	96.31				130.92
New Zealand (24)	70.46	-0.2	58.94	61.27	6.43	70.62		109.21	115.04	95.23	96.91
Norway (26)	160.08	+1.0	133.90	145.20	1.87	158.46	59.12	61.62	84.05	63.32	73.29
Singapore (26)	135.86	+0.8	113.64	120.99	2.20	134.74	132.65 112.80	143.83	160.08	98.55	98.55
South Africa (60)	128.47	+0.7	107.46	109.06				120_34	135.89	97.99	105.13
	149.61	+0.5	125.14	129.49	4.24	127.59	106.81	108.30	139.07	98.26	125.13
Spain (42)					3.23	148.86	124.62	129.07	164.47	130.73	136.52
Sweden (35)	149.62.	+0.9	125.15	139.16	2.05	148.35	124.19	138.14	149.62	96.92	105.40
Switzerland (57)	78.05	+0.1	65.29	75.85	2.24	77.94	65.25	75. <del>69</del>	86.75	74.13	77.09
United Kingdom (314)	144.67	+1.1	121.01	121.01	4.48	143.06	119.76	119.76	144.67	120.66	131.31
ÚSA (570)	118.63	+0.9	99.23	118.63	3.58	117.55	98.41	117.55	118.63	99.19	103.38
Europe (1007)	118.31	+0.3	98.96	106.71	3.54	117.92	98.71	106.38	118.31	97.01	99.91
Nordic (1.26)	144.52	+0.4	120.89	131.44	1.94	143.96	120.51	130.98			_
Pacific Basin (678)	189.63	-0.6	158.61	154.06	0.69	190.71	159.65	154.53	192.26	130.81	145.22
Euro-Pacific (1685)	161.09	-0.3	134.74	135.26	1.54	161.57	135.26	135.43	161.61	120.36	127.11
North America (696)	119.51	+1.0	99.97	118.47	3.56	118.38	99.10			99.78	103.68
Europe Ex. UK (693)	101.86	-0.3 [	85,20	97.98	2.79	102.18		117.36	119.51		
Pacific Ex. Janan (222)	133.11	+0.2	111.34	112.26	4.36	132.88	85.54	98.25	102.91	80.27	80.49
World Ex. US (1884)	159.86	-0.2	133.71	134.48	1.61		111.24	111.96	133.11	87.51	94.03
World Ex. UK (2140)	143.93	+0.6	120.39			160.23	134.14	134.57	160.23	120.26	126.48
				129.96	1.98	143.91	120.48	129.77	143.93	111.77	116.19
World Ex. So. Af. (2394)	144.07	+0.1	120.51	129.24	2.19	143.92	120.48	128.95	144.07	113.26	117.47
World Ex. Japan (1998)	119.77	+0.7	100.18	114.25	3.59	118.95	99.57	113.48	119.77	100.00	102.22
he World Index (2454)	143.98	+0.1	120.43	129.10	2.21	143.82	120.40	128.81	143.98	113.37	117.53

Base values: Dec 31, 1986 – 100; Finland: Dec 31, 1987 – 115.037 (US \$ index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US \$ index), 114.42 (Pound Sterling) and 123.18 (Local).
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Latest prices were unavailable for this edition.

# Finns benefit from Swedish influx

### Olli Virtanen on the foreign interest that has driven Helsinki higher

INLAND'S stock market is enjoying a healthy boost from Swedish investors, who have been flocking to Helsinki since Thursday last week following the liberalisation of foreign investment in

neighbouring Sweden.
Helsinki's Unitas general
index has risen by 1.2 per cent over the past six sessions, from 736.6 to 745.2 yesterday, when it slipped on profit-taking. The unofficial Kansallis free share index, meanwhile, has jumped

by more than 4.7 per cent. The increase in turnover has been even more dramatic. Before the liberalisation in Sweden, average daily turn-over at Helsinki was stuck at the relatively depressed level of FM50m to FM60m (\$11.7m to

\$14m); after the "Swedish inva-sion," it almost doubled to FM90m to FM100m, although it fell back yesterday to FM74m. Brokers say other foreign investors, as well as Finnish ones, have jumped on the bandwagon, also buying unrestricted shares.

The main target of the shopping spree has been Pohjola, Finland's leading insurance group. Pohjola's B shares have risen in a week from FM91 to FM97.1 yesterday while turnover has risen from 70,000 shares pre-liberalisation to an average 300,000 over the past six sessions.

Swedish investors brought a welcome boost to the free share market, which has been fairly passive since the 1967

global market's crash. Foreign investors left Finland in the aftermath of the market's collapse and have not yet returned to a significant degree. Some Finnish analysts, including Mr Arto Laakkonen, head of equity research at Kan-sallis-Osake-Pankki, the lead-ing commercial bank, regard this as surprising because the economy is still sound, with companies performing better

he forest products industry, which contin-ues to enjoy full capacity utilisation, is still particu-larly undervalued, according to Mr Timo Nikinmaan, chief economist at Unitas, Finland's leading stock brokerage. inary corporate results, due to be released within the next few weeks, will provide a further fillip for share prices.

In spite of the relatively good corporate performances, how-ever, the Finnish economy does have some clouds on the horizon. The balance of payments deficit is expected to get worse before it gets better and companies will be more ham-strung by cost escalation. Interest rates will remain high for the foreseeable future.

The Swedish move has therefore come at an opportune time for Helsinki, and investor confidence in the small Scandinavian market seems the strongest it has been for months.

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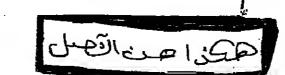
The value of investments and the income from them can go down as well as up.

For more information contact:

Stuart Webb Alan Saunders Mark Richardson Lazard Investors Limited 21 Moorfields, London EC2P 2HT Telephone: 01-588 2721

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# **FINANCIAL TIMES**



There are stirrings of confidence in Britain's regions as

the benefits of sustained growth spread northwards, reports Hazel

Duffy. But it is still far from clear that high levels of activity in the South-East will lead to a narrowing of the north-south divide

## **Boom ripples** northwards

MRS THATCHER, the Prime Minister, is chasing an elusive goal. If her policies can close the economic and social gap between Britain's regions, she will have succeeded where gov-ernments have failed for the

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past 100 years. Certainly, there are definite stirrings of confidence in the regions as the sustained economic growth enjoyed in the south is at last rippling north-wards. And if the increasingly buoyant statements by some ministers are an accurate reading, that new regional confi-dence is justified.

.But the facts do not always support the rhetoric. There is a lot of catching up to be done. All the indicators show that the divide between the north and the south has widened since 1979. The Government's policies on interest rates and sterling hit the north hardest in the early 1980s. It has been the south which has benefited most from the resurgence of

growth\_ In this uneven distribution of the fruits of Thatcherism, the worst affected areas have been the inner cities where the plight of unemployment has accentuated the social and political division of Britain. Mrs Thatcher did not set out to make the regions a special

case. In her determination to make British industry more competitive, there were few competitive, there were few compensating measures to help the blighted regions to adapt. In fact, the Thatcher government would have liked to cut back Government grants to industry more than it actually has done. Ideally, it would have preferred to abolish them completely. But every other country in the European Community dangles financial car-

munity dangles financial car-rots before internationally-mo-bile industrial investment projects, so Britain cannot afford to go it alone. The Gov-ernment's direction, therefore, has been to make grants more

selective.

The provision for regional grants for the next three years is around £850m, which implies continued scaling down of the total amount of assistance as regional development grant is

The Thatcher Government has also targetted financial assistance and incentives more on the inner cities. Urban development corporations, enterprise zones and urban grants are directed at encouraging the private sector to regenerate derelict acres.
The messaga from the regions in the past year, how-

ever, has been positive. Unem-



## Britain's Regions A TEST FOR THATCHERISM

ployment is falling, manufac-turing output is going up, the service industry sector is expanding, self-employment is

Where there has been devel-opment, it has largely been generated from within the region itself. The growing pro-vision of financial services in cities like Manchester and Leeds, for instance, is mainly serving their regions, in contrast to the global services provided by London. But a new factor has started lengthy period, could benefit the outlying regions. It is the overheating of the South-East economy. Growing traffic congestion, labour skills short-ages, and, until recently, soaring house prices, are changing the cost structure to the advantage of the regions outside of the South East.

This change is an underlying factor to help regional recov-ery, to help other regions catch up with the South-East. It opens up the possibility of

to emerge, which, over a future change, but so far little lengthy period, could benefit more than that. This is clear in the unemployment figures.

The rate of unemployment since 1979, and one that is used frequently to take the temperature of the health of the regions. Ministers proudly pro-claim the month-by-month fall. But this ignores the fact that, on a more localised basis, male unemployment is still high in parts of the regions, as the

inadequate - of the diversity within regions. Unemployment blackspots are balanced by areas which are much more buoyant in all of the regions. Good communications can be seen to be an important factor in identifying the areas of recovery. The east-west M62 corridor and the southern end of the M6 are good examples. They support bids by the regions for accelerated roadsmaps on pages 4 and 5 show, Unemployment figures are building programme, and improved rail links.

one measure - albeit rather

### CONTENTS

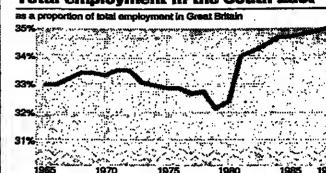
Regional grants: a octive approach

The North: TransPennine routs to growth N. ireland: twin targets

Scotland; a speckled picture 5 arguments may fail on dea

Property: retail opportunitie

### **Total employment in the South East**



Then there have always been local pockets of prosperity in the Midlands and the North, like Solihull, Harrogate, Matlock and Macclesfield. In her rare references to the regions, Mrs Thatcher has emphasised these bright spots. In response to a Parliamentary question two years ago, she said: "You are quite wrong in trying to give any impression that the North of England is down and out when very many parts of it are very prosper-

Mrs Thatcher is right, but it is not an argument for there being no division. If north and south contain pockets of prosperity and poverty, a lower average figure on a measure of living conditions for one area means that its better-off places are outweighed by much worse conditions in its poorer parts."
(Jim Lewis and Alan Townsend, The North-South Divide, to be published next month by Paul Chapman, £12.95.)

Taking employment as a measure, the graph (proportion of jobs in the south) shows that, historically at least, the south has been the clear win-ner in jobs. Service employment has grown throughout the country, but faster in the south. The net job gain between 1983 and 1987 was 1 per cent in the north, com-pared to 6.1 per cent in the south Income and expenditure figures likewise show not only higher levels for the south but

also that they have been grow ing faster in the south.

To date, then, market forces

have shifted the balance in favour of the south. The core of activity and wealth is London and the South-East, as it has been for at least the last 100 years, and the fastest growing regions have been East Anglia and the South-West. Their proximity to the South-East, and their natural environment unscarred by heavy industry, have been the main factors in making them the regional suc-

cess stories of the 1980s. The radius out of London and the South-East is widening a little. The south east of Wales, with good road and rail connections to London, is prov-ing popular. Parts of the east Midlands are seen by business as a good location, and the extensions of the M40 to Birmingham is also making the south Midlands more attrac-

Most of the rest of the country, however, has yet to benefit adequately from the high level of activity in the South-East. Indeed, the buoyancy of the south (although there are pockets of deprivation, notably in inner London) seems destined to be reinforced by its geographic closeness to the Continent and the central of the nent and the centre of the European Community, and by the Channel Tunnel.

The pressures in the south pose a planning dilemma for Continued on page 10

# HOW BUSINESS USED TO BE SHAPE THE BLACK COUNT

The Black Country of the past was built from hard graft in harsh conditions. The biggest buildings were the foundries.

Technological progress has given us more leisure and productivity from less effort — and there's no disgrace in that.

As one of the fastest growing revitalised industrial regions, our reconstruction reflects the new mood. Low-rise factories and prestige offices will be balanced by housing and leisure areas - to create a dynamic but humane environment.

And less than two years from the foundation of the Black Country Development Corporation, the foundations of some striking new developments are already being laid.



# SHAPE OF THINGS TO CO

Sandwell Mall, at 120 acres one of the largest mixed retail/leisure/ entertainment developments in the

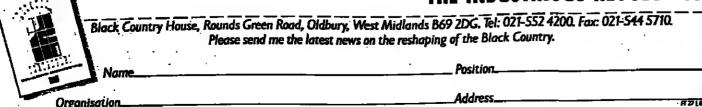
UK, is now on schedule for opening during 1992. This proposed development by Speyhawk/Alton has been made possible by a partnership between Sandwell Metropolitan Borough and the Corporation, and is typical of the

Return the coupon. You'll find your company could be in

better shape in the Black Country.

cheerful spirit of co-operation in the area.







## Lop-sided recovery of 1980s

north-south divide, one asser-tion is beyond doubt - the abundance of anecdotal evidence far outstrips the availability of comprehensive eco-

From economic statistics it is hard to make more than generalisations about the split of incomes and assets between regions, cities and between rural and urban areas. In con-trast, saloon bar debate will yield a dozen stories about how much better off individual households have become by moving out of town or from south to north.

A good starting point is regional figures for gross domestic product. These give a guide to the level of activity in an area, reflecting both output and incomes. Latest figures and incomes. Latest righters published by the Central Statistical Office map trends in the decade to 1987, showing how regions compare with UK average GDP in each year. The figures are calculated per head, which takes compare of the

which takes account of the large population differences. Not surprisingly, Greater London ranked top at 29.4 per cent above average in 1987. Next highest was the Rest of the South East, where GDP was 11.6 per cent higher than the average. Other regions were all below average - giving some impression of the tilt

owards the South. Northern Ireland is at the bottom of the league, at 22.6 per cent below average. One rung up was Wales and then. slightly higher, north England. Looking back 10 years shows the difference between the extremes has grown; the South-East has become more affinent relative to the average, Northern Ireland relatively

In other areas the story is different and suggests the pattern of a growing north-south divide is not clear cut. In the North, for example, GDP per head relative to the UK showed a slight increase in 1987 following a sharp fall between 1981.

The problem with GDP fig-nres is the difficulty in accounting for price differences between regions. If the rate of inflation has varied significantly across the UK which seems likely given the lop-sided character of economic recovery in the 1980s - the

% GDP per Region	1977	1981	1987
North	94.9	93.7	88.1
Yorkshire & Humberside	95.1	91.7	92.7
Fest Midlands	57.2	97.1	95.1
Zest Anglia	27.A	96.3	99.1
South East	112.2	117.3	118.4
Greater London	122.8	128.0	129.4
Rest of South East	184.1	170.1	111.4
South-West	92.1	93.2	34.0
West Midlands	97.A	90.5	. 33.4
Morth West	96.6	94.3	12.1
ENGLAND	101.8	102.1	102
WALES	86.9	83.3	82.
SCOTLAND	97.1	96.3	94.1
OKALEM MELAND	79.9	78.2	• 77.4

cent higher than the national

average while middle manag-

ers' pay was 11.9 per cent

above average. This gave 2 quality of life index factor of -24.2.

At the other end were North England, Scotland and York-

shire and Humberside with index factors of +17.8, +14.1,

and +10.8 respectively. This suggests that when in employ-

ment, spending power can be enhanced in these parts of the

Part of the reason why house

prices can have such a large

effect on relative affinence is that pay levels display compar-

atively little variation. Among

average gross weekly pay of

full time manual employees on adult rates in Great Britain

varied between 2177.9 in the

south west to £200.5 in the South-East in April 1988 - a

Even among non-manual employees, the uniformity is

surprising given differences in

house prices - varying from 2210.6 in Wales to 2272.8 in the

South-East. Probably the pat-

tern reflects pay deals set at national levels with regional

allowances not accurately

reflecting either differences in

labour demand or in prices.

Also determining differences
in regional spending power is

unemployment. With wages

difference of only some £20.

indicator of standards of living. Probably most distortion is due to the effect of house prices. For existing owners, higher prices boosts wealth and, in recent years, has encouraged rapid growth in equity withdrawal, boosting consumer spending. For new buyers, however, higher prices mean bigger mortgages relative to incomes and therefore less for discretionary spending.

At the same time, migrating households have been able to take advantage of house price differentials to sell property in a high cost area and buy in a cheaper region, unlocking capital and boosting spending in regions such as north England. The effect of the variation of

manual workers, this is partic-ularly striking. The 1988 New house prices is apparent from Earnings Survey shows that Probably most distortion (in GDP figures)

is due to the effect of house prices

COURTY.

surveys by The Reward Group, the pay and cost of living advice company. It constructs a "quality of life" index which compares the average salary of a middle manager with the cost of living in a region. Salaries and costs are calculated relative to the national aver-

The costs assume a house-hold has to buy a house in the region, which means the spread of the results across regions is exaggerated as the house price divide widens over

Its latest survey in September showed that at the bottom was Greater London where costs of living were 36.1 per more or less constant, total incomes per head vary according to the number out of work. In this respect East Anglia and the South-East fare best. How-ever in the late 1980s, with unemployment often falling fastest in the more depressed areas, the North could be catching up.

More localised unemploy-

ment figures can be used to give a insight into the split between rural and urban areas. Greater London's unemployment rate of 8.8 per cent in October 1987 compared with an average of 7.7 per cent for the whole of the South-East. In the North West, the region's unemployment rate was 14.0 but in derseyside it was 19.2 per cent. This sort of measure, how-

ever, gives only a limited impression of relative wealth. They are averages for large regions (the South-East, for instance, has a population of 17.3m) disguising the extremes and variations around regional averages. Part of inner London, for instance, are among the most deprived in Europe. Recent figures for total

wealth including financial assets by region are not readily available. Other guides to relative prosperity may provide a partial insight - for instance figures for the consumption of consumer durables.

Ownership of, say, video recorders is likely to reflect general wealth and confidence about economic prospects as well as incomes. In 1984-85, video recorder ownership var-ied from 22 per cent of house-holds in Northern Ireland to 32 per cent in the South-East. Another snapshot of the

quality of life comes from a survey conducted by MORI on behalf of the recruitment consultancy Hoggett Bowers and published in December. This showed company directors and executives in the north of England are happier about their life-style than counterparts in the south.

In contrast a survey of busi-ness leaders' opinions by Manchester Business School in October showed a majority of chief executives and finance directors in south England regards a significant part of the north as a cultural desert. set in attractive countryside but with a unionised, disruptive workforce.

Raiph Afidns Economics Stuff

### POLITICAL DIMENSIONS

# The anger of 'two nations'

PERHAPS more than any other subject, the north-south divide is guaranteed to send pulses racing and temperatures

rising at Westminster. In a place where everything from the fate of donkeys to the future of football can bring MPs to boiling point, the Com-mons reserves a very special passion for the "two nations" issue.

It is, variously, a scandal, a subject for national shame, a cruel manifestation of uncaring Thatcherism or, conversely, an over-simplistic analysis, an entirely false premise, a political chimera employed by desperate critics intent upon devaluing the gov-

ernment's economic miracle. But if the subject can give rise to almost as many opin-ions as there are MPs, there can be no disagreement about the divide which now characterises the political map of the United Kingdom.

It is a phenomenon which has been underway for at least the last thirty years, with party support increasingly reflecting the continuing tilt in the geographical axis of economic growth; the Conserva-tives have advanced most where there is economic growth and security and least where there is deprivation and

Since the 1950s, the long-term swing in favour of the Conservatives has been in the south and the Midlands, the suburbs, the small towns and in the countryside, where they have always been dominant. The shift towards Labour, on the other hand, has been in the north and in Scotland and in the inner-cities.

The effect has been dra-matic. According to Prof Ivor Crewe of the University of Essex, Labour's share of the national vote fell by six per cent overall between 1959 and 1987, but it was down by as much as 16 per cent in East Anglia and 14 per cent in the south west.

Above the Humber-Mersey line, however, Labour raised its share of the vote, by between five and seven per cent in the north and north west and by 14 per cent in Scotland. By the end of the last gen-

eral election, Labour's presence in the south had been decisively reduced to little more than a token representa-

tion, with its continuing grip on several inner-London con-stituencies keeping alive its aspirations in the south. Even there, traditional Labour strongholds like Battersea fell to the Tories.

If Labour is to stand any chance of winning power at the next general election, then it hext general election, then it has to rekindle its appeal to electors in the south and pick up seate which, at present, seem well beyond its reach. To make matters worse, boundary changes in the pipeline shift the balance further in favour of the Tories, making Labour's test on even bigger untill task an even bigger uphill

The challenge has not gone unnoticed. Earlier this month, it was announced that Mr Gordon Brown, the shadow Treasury spokesman, is to embark on a tour of the Tory heart-lands which the leadership accents it must at least par tially regain if Labour is to avoid its fourth consecutive election defeat.

As for the Tories, for strength in the south read weakness in the north, where support has slowly been eaten away. While in 1959, the cities of Glasgow, Edinburgh, Liver-pool, Newcastle, Bradford, Leeds, Manchester, Sheffield and Hull had returned no fewer than 28 Tory MPs, by 1987 the number was down to

Nowhere is the Tory dilemma more clear cut than in Scotland, where its failure



Mrs Thatcher: No to devol tion of political power

was to beef up the party machine north of the border in an attempt to establish a broader activist base. Despite the efforts of Mr Malcolm Rif-kind, the Scottish Secretary, and his team to demonstrate to an ungrateful Scotland that it is sharing in the nation's eco-nomic boom, their efforts have failed to make any significant

According to Mr John Curtice, lecturer in politics at Strathclyde University: Although not as powerful an influence as the class divide, it seems as though there is now a regional cleavage in British politics. In other words, some people are deciding to vote Conservative or Labour not because of, for example, their

Nowhere is the Tory dilemma clearer than in Scotland, where its failure to rebuild popularity, combined with Labour's perceived inability to influence events at Westminster, threatens to rekindle a wave of support for the nationalists

to rebuild popularity - com-bined with Labour's perceived inability to influence events at ter - now threaten to rekindle a wave of support for the nationalist movement. After the 1987 election, Tory representation in Scotland dwindled to just ten MPs, fewer than half the previous level. By contrast, Labour fin-

ished with 50 seats, one of which it has since lost to the Scottish National Party. One of the first decisions taken by the Tory party after its awful showing in Scotland social class or housing tenure, but because of the part of the country that they live in." He points out that voters liv-ing north of the Humber-Mer-

sey are consistently less optimistic about their prospects, in particular on issues like employment, inflation and ir own standard of living. The relative weakness of the economy in the north, therefore, does appear to influence people's economic confidence and, in turn, shapes views on how the economy should be handled which are markedly

Those living in the communically less confident balf of the cally less confident pair of the country are, understandably, more likely to believe that there should be greater sectional equality in society and apparently favour state attlem to bring it about.

to bring it about.

Most Tory MPs continue reject the notion of any significant, geographical divide between the "haves" and the "have nots". They claim that the government's economic policies are about the continue and the seconomic policies are about the seconomic and the seconomic policies are about the seconomic and the seconomic policies are working to the ben-efit of the whole pation and that, quite naturally, those area with the deepest problems will take longer to reep the

They point to besic economic indicators like the unemployment rate and emphasise that it is falling in all areas of the country, with some of the sharpest reductions recorded in northern regions.

Labour, together with the other opposition parties, remains totally unconvinced and claim that the government's only achievement has to been to deepen the regional

They alloge the government has no real regional policy almed at stimulating investment and economic activity away from the south and cit it is content to concentrate resources in a way which helps resources in a way which haips consolidate its voting base, leaving the north with little political clout to look after itself. Market forces, they say, should not be left to render one region prosperous at the expense of another's bank-

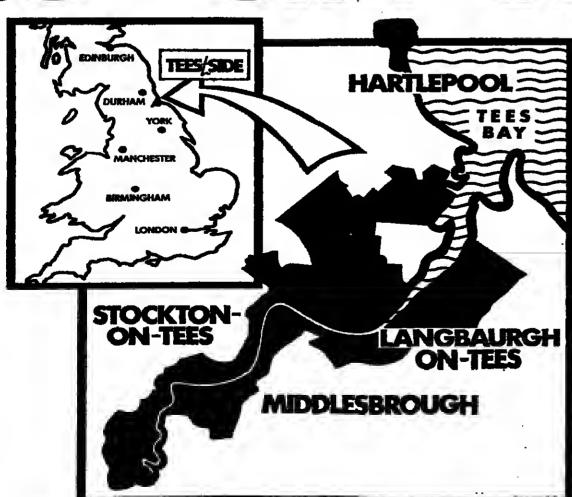
The issue has helped revive the debate on the need to return political power to the regions, accompanied by fresh calls for devolution and the establishment of a network of locally-elected regional assem-blies with powers to raise finance and preside over their OWN economies

Mrs Thatcher will have none of it. Her government, she intones, was elected to serve all of the United Kingdom and that it was it will do. Whether it is as united as she supposes will remain a topic for angry

Michael Cassell Political Correspondent

# Initiative

# ELOPMENT



Within a few months of becoming operational Teesside Development Corporation has acted as the catalyst to speed and implement a host of new initiatives. Initiatives that will enhance the industrial, business, social and cultural environment of Teesside. Initiatives in which powerful partners from the private sector are already participating. Initiatives which still offer outstanding development and investment opportunities. Among them -

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Tees Offshore Base – a world centre of excellence in subocean technology to exploit deep-sea mineral resources LAUNCHEL

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Teesdale - an investment of over £110 million in a high quality urban mix of first class offices, residential areas and shops, in a landscaped setting

Britannia Part Enterprise Zone - one of Teesside's two EZ's, now being enhanced with new factories and infrastructure

The European Chemical Centre – creating the finest concentration of chemical businesses in the world LAUNCHED

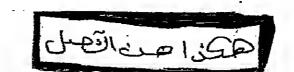
Middlehaven - a redevelopment of Middlesbrough Docks to create a high quality residential, business and leisure centre

Langbaurgh Motor Sport Park - an exciting road and track based facility for a variety of two- and four-wheeled sports

Teesside International Nature Reserve - opening up and expanding an existing world stature estuarine wildlife

Tees walkway and weir - providing pleasant access to a tide-free river frontage

We are setting out once again to be ahead of our time...!



## Grants are more selective

intervention in the economy has resulted in the steady erosion of a Government policy, dating back to the 1930s, simed at stimulating investment in

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Critics calculate that regional assistance has been cut by around half since 1979. The emphasis has shifted towards: greater selectivity. There are also several other strands to the policy. The plight of the inner cities, which has been accentuated by the contraction in manufacturing employment and the continuing moves by industry out of urban areas, has moved up the

political agenda.
Lord Young, Secretary of
State for Trade and Industry, the department with responsi bility for regional policy, has put more emphasis on stimu-lating the formation of small businesses in the regions and is encouraging the expansion of existing small to medium-

sized companies.

Over the next few years, regional policy in the UK will be increasingly influenced by the European Community. The European Commission is deter-mined that if should have a genuine European policy on the regions in the Community, rather than acting on the policies of individual governm Brussels is concerned that the disadvantaged regions, often on the perimeter of the Community, should not suffer as a result of the completion of a single European market. Without more support, the benefits will drift to the central geographical core of the Commu-

While Lord Young pursues the policy of fostering enter-prise, he is as anxious as his predecessors to make sure that Eritain attracts overseas investment. The importance of omy of the regions is demonstrated by Nissan, which is spending £390m on the first phase of the car plant in the Sunderland area of north east England. When completed, the investment will directly bring over 2,000 jobs. But it is also the means to boost manage ment skills in the region, and create many more jobs in the components industry. The first phase will receive over £100m

of Government grants. Mr. Peter Walker is similarly. enthused with the impact of Japanese investment on the proposed without assistance,

economy in Wales. More recently, he praised the deci-sion by Ford to locate its £725m automotive engine plant at Bridgend, Inward investment is equally vigorously competed for elsewhere in the company's decision on where to locate a new plant. Relatively cheap labour in the UK, for instance, is an important consideration for West German

companies, Several West German automotivs component makers have set up recently in the UK. st companies are also looking for government finan-Ireland can offer the highest grants in the UK - up to 50 per cent of the capital cost of new plant is available. Elsere, it is most likely now to

which are no longer available The grants regime started to tighten up in 1984. Job creation was made the priority - calling a halt to the situation where capital intensive manufacturers had been getting subplants which had frequently resulted in fewer jobs - and

be between 10 and 20 per cent (the Nissan package included regional development grants,

assistance became more selective. This is now the only form of help extended to companies, which must prove that their planned projects would not take place if they were not

Government assistance in its various forms has been exceeding £500m a year and in the early 1980s was considerably higher. But, as payments on the antomatic type of grant are phased out, it would be sur-prising if this figure did not fall despite assurances by the Government that "regional nding will be maintained" Businessmen say that it is more difficult to get financial help, but ministers maintain that finance is available for

worthy projects.
In the inner cities, incentives are increasingly targeted on encouraging developers to move into rundown urban areas. The main instrument in England is City Grant. Scotland, Wales and Northern Ireland have a slightly different system. The grant is calculated at a level to bridge the development and its value. Public finance is normally agreed at between one fifth

### What's available

Financial assistance to support the cost of vocational training and job creation schemes. The Fund publishes managment guldelines each year under which assistance is directed towards certain priority training schemes linked to particular groups, for instance, long-term unemployed. . . . Regional Selective Assistance

A grant (on very rare to industrial and commercial identifiable regional and national benefit and create or safeguard employment in the assisted areas, Grants are normally related to the fixed capital costs of a project and to the number of jobs created, normally within three years of its start. It must be shown that the project would not take place on the basis

and one quarter of the total cost, although this can be which will be the minimum

necessary for the project to

City Grant Support for capital

investment projects which benefit rundown urban areas

provide jobs, private housing

and other benefits, exceed

go ahead on that basis.

in England. They must

£200,000 in value and require public assistance to proceed. Loans may be available. Specialist grants are available for promoting tourism, and the European Community has funds to assist investment in the marketing and processing of agricultural products. There are a host of other grants available to companies, but Binder Hamlyn Regional Development, which publishes Government Help for your Business, names the above

as most likely to make useful

sums of money available.

higher if the project is to be undertaken on a very difficult site. Housing, industrial and commercial developments are going ahead with City Grant. Big sites might well involve a mixed development.
Urban development corpora

tions (UDCs) have proliferated from the original two in Lon-don Docklands and Merseyside. They now cover large areas of Manchester, Teesside, the Black Country, land on the banks of the Rivers Tyne and Wear, and Cardiff Bay. Plans to set up a development corpo-ration in Belfast are proceed-ing. Smaller areas have been assigned in Sheffield, Leeds and shortly Bristol. It all adds up to UDCs being a major part of the Government's urban pol-

The corporations have the power to acquire land and pre-pare sites for sale. They are also the planning anthority (except in Cardiff Bay). As a means to accelerate develop-ment in run-down areas, it has worked well in London Docklands and, to a lesser extent on Merseyside. In other areas, it is too early to reach a verdict. But London Docklands, by its very success, is producing problems. Substantial improvements in communications will have to be funded, part publicly, part by the developers. Increasingly, the Corporation is being drawn into playing a social role in the area.

Enterprise zones, some of them in the UDC areas, are the only locations where tax benefits are available to investors. Rates holidays are the other main incentive. Most of the zones around the country are moving in to the second half of their 10 year lives, reducing their attractions to investors. The final verdict on the contribution of enterprise zones to urban renewal will probably be positive. Nevertheless, the Government has decided not to extend what was introduced as

an experiment.

.There are two exceptions. An enterprise zone has been set up in Inverclyde in Scotland, where the shipyard owned by Trafalgar House has been mothballed. In Sunderland. Mr Tony Newton, Trade and Industry minister, won permission late last year for an enter-prise zone to be designated in the wake of the closure of North East Shipbuilders.

### HOUSING

## Gap narrows very little

NOWHERE is the divide between the economies of northern and southern Britain more visible than in the wide gap between house prices in different parts of the country. The high cost of houses in south east England is e major obstacle to job recruitment.

Employers in very few cases can offer sufficiently large sal-aries to compensate employees for the higher cost of houses in The lack of an adequate pri-vate rented housing sector in Britain, as well as long waiting

lists for council housing, makes it even more difficult for skilled workers who want to move to the South-East where there are better joh opportunities. This places a strain on companies which need to pay even higher wages to attract workers. It should be no surprise

therefore, that some companies have been considering locating away from the South-East and have been concentrating their expansion in areas where wage costs are lower.

The decision announced this month by Mr John Moore, Social Security Secretary, to move more than 1.000 social security jobs out of London reflects the major problems faced by employers competing for staff in the South-East.

Mr Moore, explaining his decision, said: "Fierce competition for staff and premises has resulted in high staff wastage and deteriorating working con-

Moves such as this seem unlikely, however, to lead to a significant realignment in regional economies. For every company looking to expand outside the South-East there appears to be at least another new business setting up in the

A study published this month by Cambridge Econo-metrics, a forecasting group, and Northern Ireland Economic Research Centre, said the north/south economic divide would remain to the end of the century, with northern regions continuing to languish by comparison.

It said labour shortages and congestion in the South-East would encourage more investment in neighbouring regions but was unlikely to benefit more distant regions, with the exception of Wales. "The future is expected to

resemble the 1950s when the

THE HOUSE PRICE DIVIDE rice 1988 Greater London £98.618 22.3 South East East Anglia South West East Midlands £90,477 £83,063 255,376 West Midlands Yorksbire & Hu North West £42.51S £36,103 £43,757

peripheral regions languished more than in the 1960s and 1970s when strong regional policy measures brought e revival to the peripheral," said the forecasts which concluded the Midlands was likely to enjoy the fastest rate of economic growth during the next decade.

The economic spillover from south east England has already left its mark on the housing market. Last year house prices in regions adjoining the South-East soared as commuters seeking pleasanter surround

ings, and unable to afford prices in London, moved out even further from the capital. The introduction this month of much higher, longer-distance-commuter rail fares will

Scotland by 14 per cent; and in Northern Ireland by 8 per cent. The pace at which prices have been rising, however, has altered materially during the last few months as interest rates have risen. In the south price are barely moving and in parts of London have fallen. In the north of England, however, prices are still rising fairly sharply but are expected

The gap between average have removed some of the

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole queues" despite generous incentives offered by the company. A few firms said they were

advantage of lower-cost housing further away from London, Fares from cities and towns like Grantham, Peterborough, Oxford, Weymouth and Bournemouth have gone up on average by 21 per cent, affect-According to the Halifax, Britain's biggest building society, house prices in Greater

London rose, on average, by 23 per cent last year. This compared, said the Society, with price rises of 47 per cent in East Anglia; 60 per cent in the West Midlands; 54 per cent in the East Midlands; and 48 per cent in south west England. In the north of England

prices rose by 19 per cent; in

to slow later this year. This forecast is based on the premiss that what happens in London today occurs in the prov-

house prices from one region to another seems unlikely to narrow greatly. This is despite the fact that prices ere cur-

considering offering company housing

rently rising faster in the According to the Halifax

Building Society an average priced house in northern England at the end of last year would have cost £36,103, comred with £99,618 in Greater London, and £83,063 in East Anglia. In Scotland the same house would cost £43,757, in Wales £44,252, and in York-shire and Humberside £41,524. It would be wrong to assume that there are no areas of high house prices in the North Places like Harrogate in north Yorkshire and large parts of Cheshire command premium prices matching those of many

cities in southern Britain. The general run of housing.

however, is far cheaper, allow ing home owners to get much more for their money than those in the south. This may be one reason why a recent survey of company executives found that those in the North claimed to have a more com fortable lifestyle than their higher-salaried counterparts in

Staff, however, may be reluc-tant to move to other regions. Those moving north fear that when the time comes to return south the profits from the sale of their northern home will not be enough to afford to buy back into the market.

Those moving sonth com-plain they will have to take a cut in their standard of bousing, despite higher salaries. A survey by the Confedera-tion of British Industry of 200 companies in south England last summer showed almost 60 per cent of them had major problems recruiting labour because of high house prices and a shortage of low

cost rented accommodation. Despite this, more than half the companies surveyed, in Sussex, Surrey end Kent, force significantly during the next two years.

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole quenes" despite generous incentives offered by the company. A few firms said they were considering offering company housing as an expensive but necessary aid to recruit-

Mr Brian Street, chairman of the south eastern regional council of the CBI said: firms in the region believe there is no alternative to the release of more land for housing if the productive effort of local companies is not to be constrained."

These pressures will not be lessened by all the development and husiness opportuni-ties which are likely to arise as a result of the construction of the Channel tunnel and the development of improved transport links to the tunnel which is due to open in Spring

**Andrew Taylor** 

Talent abounds on Teesside. The talent of an industrial and commercial base established for over a century. The talent of giant corporations and of smaller specialist enterprises. The talent of Teessiders – whose skills reach right across heavy and light engineering, chemical and petrochemicals engineering, metals production and application, major port and oil terminal operation, computer exploitation, food technology and design, research and development, and pro-fessional services of every kind. Talent expressing itself in -

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A vote of confidence from major foreign investors. Already established on Teesside - companies from Japan, Hong Kong, Singapore, Germany, Scandinavia, the Netherlands and the USA

A lifestyle, derived from a compelling partnership of urban amenity and easy access to incomparable coast and countryside, voted near the top of the UK league table

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To find out more about Teesside's Initiative, Talent and Ability: Contact Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 1 RE. Tel: (0642) 230636 Fax: (0642) 230843.



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"...where you have initiative, talent and ability, the money follows' The Rt Hon Margaret Thatcher, Prime Minister, Teesside, 16 September 1987

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A CARE LINE

The state of the s

### THE NORTH is redefining itself. This month a new organisation called TransPennine launched an action plan for 1989, appointed its first officers and announced a seminar at Bradford University in May to work out how the North can promote itself with one voice.

The chairman is Mr Justin Kornberg, the head of Lister, the Bradford textile company. TransPennine was his idea. He used to call it the M62 Club. He defines TransPennine as a new region running from Liverpool to Hull along the M62 and tak-ing in all major conurbations within 25 miles on either side. Mr Chris Haskins, the chair-

man of Northern Foods, is its vice-chairman. Mr David Fletcher, a former Manchester Polytechnic lecturer who now chairs Pennine Heritage, has been appointed executive direc-

The headquarters are in Hebden Bridge, in the middle of the Pennines in West Yorkshire, a few miles from the county border with Greater Manchester. There is also heavyweight support from the private sector, including Bar-clays, Grand Metropolitan, Laporte, Nabisco, NatWest, Pilkington, RHM, Rowntree, the Royal Bank of Scotland, Tesco, THF, Unigate, Unilever, and Yorkshire Bank.

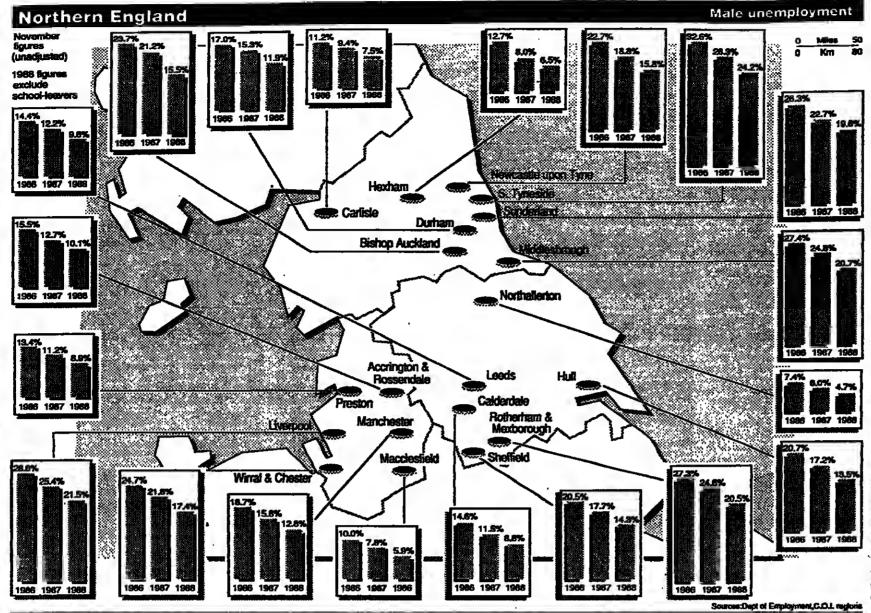
Less than 20 years ago, fev believed that a road could make so much difference, but it has. The M62 established an all-weather road across the Pennines for the first time, firmly linking the fundamentally strong economies of Greater Manchester and West Yorkshire and putting their regional capital cities, Man-chester and Leeds, now only 40

minutes from each other. Each city has witnessed a marked growth in its profes-sional and financial services in the past few years, with thou-sands of new jobs created. This is a sign of something afoot: banks, merchant banks, venture capital funds, accountancy practices, entrepreneurial solicitors and associated activities do not appear unless there is a market to service.

A major geographical bound-ary — the Pennines themselves - has been all but eliminated. Yet the fact that the Pennine are still a boundary for administrative and statistical purposes means that the figures by which we analyse what is going on in the northern economy no longer truly reflect

what is happening and why. A closer look shows that British economic recovery has not been rippling north and west in an even fashion. There is substantial restructuring of local economies, but across tra ditional boundaries. The effect is to make the overall position in parts of the north look better than it really is.

## TransPennine route to northern growth



The Government divides the north into three economic regions – the North-West, Yorkshire and Humberside, and the "standard North, which consists of the North-East and Cumbria, although, confusingly, the Manchester offices of at least two Government departments claim Cumbria as theirs.

That aside, the three regions house nearly 15m people, with the North-West the biggest – home for more than 6.5m – and Yorkshire and Humberside containing nearly 5m others. Two of the great engines of the UK economy are there. The North-West produces 11 per cent of Gross Domestic Product

Northern Ireland

9 per cent. The "standard North," which contributes only 5 per cent, is the least able to stand on its own feet.

As a new region, TransPen-nine would therefore account for one-fifth of the UK econ-omy, making it twice as big economically as the whole of Greece. More importantly, it would help pull together even more strongly the two hearts of the re-emergent north -Greater Manchester and West Yorkshire.

Research in the North-West by 3i, the venture capital group, has shown that entrepreneurship flourishes where there are lots of medium-sized usually privately-owned busi-nesses where people can learn problem-solving skills and then branch out on their own. This in turn suggests that economic recovery should be fastest and deepest where the local economy is most broadly

based, where the mix of large, medium-sized and small busies is a well-balanced pyramid and where there is a spread of industries, commerce and services across several sec-

In the north this is along a broad M62 corridor between the M6 and A1. Merchant banks in Manchester and Leeds are fighting for a huge corporate market in this corridor, where, they say, there are hundreds of medium sized, pri-vately-owned companies, each

Male unemployment

turning over up to £7m a year and making around £750,000 in pretax profits.

The number of quoted com-panies in the area – according to Henry Cooke, the Manchester-based financial services group, there are 215 based in Greater Manchester's hinterland — is further support for 3i's hypothesis of business formation, company development and economic growth; flotation is one way that entrepreneurs past and present can realise their growing capital.

According to the Hudders-field-based BWD financial services group, the Yorkshire and Humberside region houses the registered offices of 136 quoted companies. West Yorkshire has

81 of them, compared with 28 in South Yorkshire, 15 in North Yorkshire and Humberside. Excluding North Yorkshire, which is a special case because of its sparse population, South Yorkshire and Humberside prove the point.

Their economies have been based narrowly on industries such as coal and steel, or fishing and ship repair, or dominated by large employers or capital intensive industries such as chemicals, where few workers are needed and entrepreneurial skills are not required among most of them. The North-East adds more

weight to the argument. Again coal, steel and chemicals have been hig employers, along with

shipbuilding and heavy engi-neering. There are only 29 quoted companies headquart-ered there. On Teesside the fig. ure is two.

The proliferation of locallybased venture capital funds there are 14 in Yorkshire, mainly in Leeds, compared with only one six years ago — shows where the financial ser-vices industry thinks most future flotations and the best

future flotations and the best pickings are going to be.

The picture thus emerging is of an increasingly prosperous inner core straddling the Pen-nines along the M62, while the more narrowly-based econo-mies of Mersayside, Humber-side, South Yorkshire, Teesside and Typeside all lag behind. and Tyneside all lag behind. This is not to say that things

are not considerably better than they were in these places. All of their retailers had a very happy trading Christmas. Mortgage rate rises are hardly a factor when housing prices are minuscule in southern

terms.
What new industry there is is doing well - as are the slimmed down survivors of old industry. But doing better is the high technology industry which is relocating alongside established survivors in the desirable rural or semi-rural areas of Cumbria, east Cheshire around Manchester Airport, and the market towns of North Yorkshire and Northumber-

The picture is of uneven success across the North as a whole. It is illustrated most clearly by male unemployment rates. Last November's issued in December and the latest available at the time of writing - show the North-West's overall rate was 10 per cent, Yorkshire and Humberside 8.8 per cent, and the "standard North" 11.5 per

These look a reasonable improvement over recent years, but they are misleading because they include very low rates of unemployment among women. Not only are these likely to be an imprecise record of female unemployment — the rules do not allow many mar-ried women to register — but in many places with high male unemployment the low rates among women reflect substan-tial part-time feminisation of the workforce to sectors such as retail services or light man-

ufacturing. Male unemployment rates measure the success of structuring where thousands of men's jobs have been lost to recession or redundancy in old industries because of technology – as in, say, steel or glass-making – or changing patterms of world trade, or both. es in Liverpool docks.

Male unemployment in the Liverpool travel-to-work area Liverpool travel-to-work area in the November statistics was 21.5 per cent. The second-worst rate in the North-West was the rest of Merseyside, disguised as Wirrel and Chester, where the figure was 17.4 per cent. The comparable figure for the larger Manchester area was

12.8 per cent. Rotherbam and Mexicorough, hit by both coal and steel clo-sures, had Yorkshire and Hotabershie's worst male rate of 20.5 per cent. The neighbouring South Yorkshire areas of Barnsley and Doncaster were at 18.3 and 17.6 per cent respec-

West Yorkshire travel-towork areas were substantially-better, with percentage rates of 8.8 in Calderdale (Halifax), 8.6 8.3 in Calderdale (Halifax), 9.6 in Leeds, 9.2 in Huddersfield and 11.7 in Bradford. The figures were 13-plus per cent in both Hull and Grimsby, but down to 12 per cent in Scunthorpe, where massive effort has been concentrated into off-setting steel closures.

The contrast is with places in North Yorkshire like Harro-gate (4.9), Northallerton (4.7)

gate (4.9), Northalierton (4.7) and Skipton (5.5).

A similar pattern in the "standard North" shows Sunderland with 19.6 per cent male unemployment before the closure of its last remaining ship-yards last month. Only the highly attractive Northumberland market towns of Hexham and Berwick-on-Tweed bad and Berwick-on-Tweed bad rates in single figures. Hartle-pool and Middleshrough were

both over 20 per cent.

People are voting with their feet. Merseyside lost 2.1 per cent of its population in 1981-84 and 2.3 per cent in 1984-87, a loss of nearly 11,000 people a year. Only 8 per cent of the change was due to natural

In Cheshire, in contrast, only in Elleanere Port and Neston, the area bordering Merseyside, did the population fall in the latter times-year period. Most of Greater Manchester's outer boroughs are now showing

In West Yorkshire, the population of Calderdale, home of fast-growing companies like the Spring Ram home improvements group and the thriving Dean Clough Industrial Park which was converted from Im eq ft of redundant carpet mill, creating more than 2,000 jobs in expanding companies population rose by 1.9 per cent while unemployment fell rep-

idly.
This then is the pattern in the North - an emergent divide between the TransPen-nine centre and a horseshoeshaped periphery arching from Liverpool to Hull via Tyneside and Tee

ian Hamilton Fazey

## and Yorkshire and Humberside N.Ireland's twin targets

OFFICIAL Government figures show that people in Northern Ireland are as concerned about unemployment as they are

about terrorism. Statistics released by the Policy Planning and Research Unit (PPRU) in Belfast last month support the view that the community regards the battle for jobs and prosperity as important as security initia-tives or efforts to make political progress.

Genuine concern over the future of two of the province's biggest employers, Harland and Wolff, the Beifast ship-huilder, and Short Brothers, the aircraft and missiles manufacturer led to a mass demonstration recently in Belfast.

The Government insists that privatisation offers the best long term hope for the future but that view is not shared by the 11,000 employed by the two companies. Privatisation has produced talk of British "economic withdrawal", an allegation denied by the Government which has maintained a high level of public spending in the

Public expenditure amounts to around 70 per cent of the province'e Gross Domestic Product and more than 40 per cent of employment. While present levels of spending are likely to continue the Government has made it clear that Northern Ireland will not be set apart from general eco-

nomic policy.

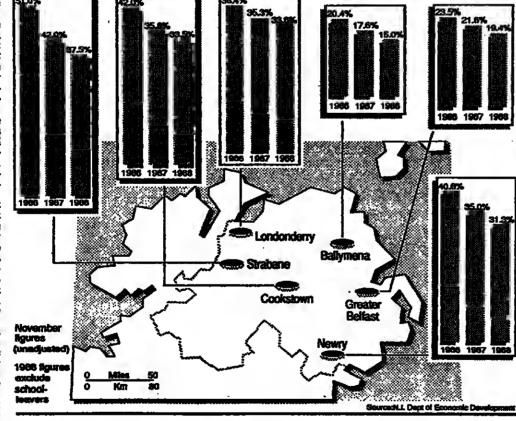
A banking "task force", set up under the auspices of the Government's Pathfinder initiative aimed at building a stronger economy, has investigated ways in which public funds may be "crowding out" the private sector.

While many private sector projects are heavily dependent on Government assistance, the long-term objective is to encourage higher levels of private investment.

Two recent investments, which will create hundreds of jobs in unemployment blackspots, suggest that Northern heland has a lot to offer poten-tial business customers.

Montupet, the French car components company, is creating 1,000 manufacturing jobs in a £90m investment at the former John De Lorean car plant in west Belfast, and Sonth Korea's Daewoo Electronics group is creating another 500 jobs in an £18m video recorder actory at Antrim.

Both projects were secured with the help of substantial Government finance and prospects for UK industry as a



arrived at a time of steadily falling unemployment in the Although the underlying

trend of unemployment is down, at around 15.7 per cent the province still has the high-est unemployment rate in the UK with some areas among the worst in western Europe. Cookstown in Co Tyrone

topped the unemployment league in November with a rate of 29.5 per cent, followed by Strabane with 28.6 per cent and Newry and Mourne with 25.8 per cent. In contrast the greater Belfast area which includes several satellite towns had an unemployment rate of

15.3 per cent and Ballymens had 11.7 per cent. The Government has earmarked £242m for industrial development and related support services next year and estimates that its plan will cre-

ate more jobs. Announcing public expendi-ture of \$5.5bn in the province next year, Mr Tom King, Northern Ireland Secretary, said recent investments and whole suggested the province was poised to reap the benefit of higher levels of investment and a higher level of new jobs

than before.
But in spite of Government optimism about investment, economic surveys have not been encouraging. A report published by the Northern freland Economic Research Centre this month suggests that the province's economy will grow slower than the national average and unemployment will rise to 19 per cent. And unlike other regions, Northern Ireland's population will continue to rise, the report

Dr Gudgin, the report's edi-tor, states: "Although conges-tion and labour shortages in the South-East (of England) will lead to decentralisation of economic activity to neighboaring regions, there is little sign that this process will be strong enough to benefit peripheral regions like North-ern Ireland."

The Allied Irish Bank's recent economic review said that given the reliance on Government funding, the medium term outlook was dependent on public expenditure plans, agri-cultural output, investment and job creation

The region's unemployment roblems conceal a story of reiative prosperity for Ulster peo-ple earning salaries in line with the national average. Cheaper housing - £35,000 will secure a well appointed semi-detached house in a desirable area – has enabled many Northern Ireland families to enjoy higher than average dis-possible incomes.

Belfast city centre was bustl-ing during December and some High Street retailers were reporting higher than average takings in the post-Christmas sales. A leading Belfast estate agent said recently that some Ulster people who had moved to Britzin in search of higher hving standards had returned because "they realised thoy had a better chance of a higher living standard at home.

Correspondent

## Wales: an east-west divide

GIVEN ITS position on the "wrong" side of the Humber-Severn line, there has been remarkable optimism, horder-ing in some circles on euphoria, over the economic prospects for Wales

The Secretary of State for Wales, the development agen-cies and employers' organisa-tions talk enthusiastically of an economy "on the move". Even Cambridge Econometrics, in its recent survey of regional prospects concluded that, of the peripheral regions, Wales is the one likely to fare least badly over the next decade.

It is not difficult to find rea-sons for this optimism. Manufacturing output has grown by 15 per cent since 1982; con-struction activity, a leading indicator, has increased by 30 per cent in the past two years; and unemployment, which exceeded 17 per cent in 1986 currently stands at 9.8 per cent. But the improvements are patchy. On closer examination the recovery appears uneven and fragile.

The most encouraging feature of the decade has been the persistent growth of manufac-turing. Electrical engineering has done particularly well, out-put having expanded by 30 per cent since 1982. This partly reflects Wales' remarkable success in attracting Japanese and other foreign companies, which are well represented in this sector, and partly a strong and indigenous presence in the form of the AB Electronic ts Group.

The electronics industry, however, illustrates clearly the geographical unevenness of growth: a high concentration of new developments is within a few miles of the eastern half of Wales' section of the M4. Indeed, growth performance generally seems to decline along an east-west gradient in south, north and mid-Wales. Proximity to Offa's Dyke and to major lines of communication to neighbouring English centres of population are major characteristics of the more successful areas.

The most successful sub-region is the 40-mile coastal strip centred on Cardiff which includes South Glamorgan, south-east Gwent and the south-east Gwent and the southern edge of Mid Glamorgan. Here, intermediate Area status and proximity to London have proved a hig attraction. Major construction projects being mooted, like the second Severn bridge, the Cardiff docklands redevelopment and the Severn barrage could and the Severn barrage could

Wales Male unemployment 1988 figures Wrexham 1986 1987 1986 1986 1987 1986 Llandeilo South Pembrokeshire Aherdare Cardill 1986 1987 198

confirm this area as an of south-east "enclave"

In north-east Wales, a similar, if more modest, revival has been taking place. Decade suffered badly from the partial closure of Shotton steelworks in 1980 which involved some 8,900 redundancies. Since then the availability of labour and sites, plus attractive financial incentives, and the area's proxinity to large centres of population, have led to a reversal of fortunes. In central Wales, the strategy of Mid-Wales Development has also been to concentrate efforts close to the border, with Newtown the chosen growth pole.

Wales' east-west divide is illustrated most clearly by the unomployment trends. rates have remained stub-bornly high in the more peripheral industrial towns like Holyhead and Milford Haven, those in the eastern growth areas are not only lower but have also shown a greater response to the general improvement in the economy.

The east-west polarisation is overlain in the south by the uniform weakness of the industrial valleys which stretch from Dyfed to Gwent. The southern fringes of the valleys, close to the M4, are able to boast some successes in attracting new industry but these gains have been over-whelmed by the scale of contraction in coal and steel. Some 14,000 jobs have been lost in deep-mining since the end of the coal strike and further closures are planned. In less

favourably located communities, like Aberdare and Blae-nau Gwent, one in fiva males remain out of work.

The uneven development and unequal prospects are reflected in population move-ments within Wales, Between 1981 and 1987, 3,300 people moved into South Glamorgan (2,200 in 1966-67 alone) whereas 12,600 left Mid Glamorgan. Within that county there was a substantial shift from tho substantial shift from the northern valleys to the south. While nearly 5,000 left the Rhondda, the same number came to Ogwr (centred on Bridgend). In Gwent, 7,200 people left Newport and 2,400 left Bisenau Gwent, both hard hit by steel redundancies, whereas neighbouring Monuncuth disneighbouring Monmouth dis-trict (which includes the Sev-

Continued on next page

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AN OPTIMISTIC view of the problems of overdevelopment in the south-east of England was taken by Mr Nicholas Ridley, the Environment Secretary, when he addressed the National Housing and Town Planning Conference recently.

He said that as a result of the steep rise in house prices in the South-Rast, people and companies were now beginning to leave the region and move back to the north and other areas where house prices are

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What is important is that these movements are volun-tary", he declared. "The Gov-ernment is not in the business of ordering firms where to locate and people where to

But despite this view of events the controversy over overcrowding and building pressures in the South-Rest is likely to be with us well into the next century. Mr Ridley's critics, including environmentalists, planners and even some MPs in his own party, believe that Mr Ridley, a leading exponent of the free market, has down-graded the concept of regional planning and is allowing pleasment development in the the countryside and small towns and villages.

The problems in the South-

The problems in the soun-East have been exacerbated by the rapid economic growth of recent years which has attracted financial services and high-tech industries particularly along the M4 corridor in Berkshire.

The demand for new housing - and consequent pressure on the evallable land - has been compounded by social factors such as the growth in the number of one parent households. There are also the pressures that will result from major developments such as the

## Southern England: pressures of success

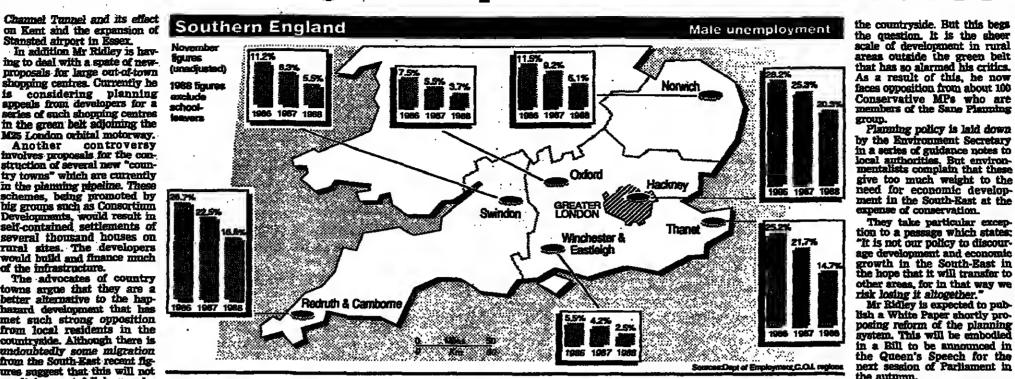
Channel Tunnel and its effect Stansted airport in Essex. In addition Mr Ridley is having to deal with a spate of newproposals for large out-of-town shopping centres. Currently he

is considering planning appeals from developers for a series of such shopping centres in the green belt adjoining the M25 London orbital motorway. Another controversy involves proposals for the construction of several new "country towns" which are currently in the planning speline. These schemes, being promoted by big groups such as Consortium Developments, would result in self-contained settlements of several thousand houses on rural sites. The developers would build and finance much

of the infrastructure.

The advocates of country towns argue that they are a better alternative to the hap-hazard development that has met such strong opposition from local residents in the countryside. Although there is undoubtedly some migration from the South-East recent fig ures suggest that this will not result in a net fall in population in the region. A study\* by Cambridge Econometrics and the Northern Ireland Econo Research Centre concluded that persistent unemployment differentials will continue to cause strong migration from north to south of about 700,000 people of working age by the

year 2,000. A continued need for increased housing is also fore-seen by SERPLAN (The Lon-don and South East Regional Planning Conference) which



represents local authorities in the region and advises Mr Ridley on planning strategy. It has agreed with him proposals for 570,000 new dwellings in the South-East between 1991 and the year 2001 - 175,000 in London and 395,000 for the remainder of the region. A county breakdown of these figures has been proposed by SERPLAN and is now under consideration by Mr Ridley. (See table). Serplan has also proposed a strategy to ease the effects of

overcrowding in the boom areas in the west of the region. It envisages a shift of economic development from the economically buoyant counties of Berkshire, Buckingham, Hertfordshire and Surrey towards the less well-off areas of Kent, Rssex and East Sussex. Development of derelict land along the Thames in Essex and Kent - the Thames corridor - is an

important element in this pro-Mr Ridley will also be

responding shortly to draft guidance on the future development of London which has been submitted by the London Planning Advisory Committee (LPAC), the organisation of local authorities which advises him on planning matters fol-lowing the demise of the ater London Council In a strategy which is simi-lar to SERPLAN'S it wants the

emphasis on economic growth switched from the prosperous west of London to the East End. It also calls for a large package of public investment for improvements in infrastructure, particularly in pub-

lic transport. Mr Ridley says the Government is wrongly accused of having no regional policy to solve the problems of the South-East. "We do have one, but not of the old sort." He explains that while homes and business property have become expensive and in short supply in the south, the Government has spent money to open up inner city and derelict land in

move to the north will be provided by the new national non-domestic rate whic will be applied uniformly to busises across the country.

prevent them sprawling into

Foot Summer

isle of Wight

TOTAL

inner city programme has made sites relatively cheap. Mr Ridley also believes that a further cost incentive to

late their local development He boasts, quite rightly, that the Government has protected the statutory green belts that the onus will be placed on these local plans. The Govern-ment's critics complain that ring London and other cities to

this means the virtual abandonment of any overall planning strategy.

However, as a result of pres-sure from environmentalists and many planners, the Government is now considering modifying these proposals by appointing regional planning bodies throughout the country. These would be groupings of local applications along the local anthorities along the lines of SERPLAN and would offer planning advice to the Environment Secretary.

Environment Secretary.

East Anglia, the most sparsely populated region in England, has also been the fastest growing in the 1980s. Reproximity to London and the South East, good quality environment improving communications. ronment, improving communications, and a core of high technology growth companies, particularly around Cambridge — where the links between the university and manufacturing have been highly productive — combine to make this one of the regions where expansion looks set to continue.

They take particular excep-

It will follow the lines of an

earlier consultative Green Paper which proposed the abo-lition of abolish structure plans which are drawn up by

county councils. These provide

the strategic framework within which district councils formu-

Under the new legislation

Although East Anglia still has areas which offer a highly competitive cost structure to incoming manufacturing and service companies, there are pressure points. House prices have been going up fast. Restrictions on planning will need to be lifted. The level of demand for labour points to wages rising in a region where wages have been traditionally low. Labour shortages could emerge unless migration into

the region incre The South West similarly enjoys considerable environmental advantages. Electronics manufacturing in Plymouth and the Bournemouth-Poole area, and financial services in Bristol, have located in these areas from other parts of the UK, and oversess, because of the quality of life that they offer. For instance, when Lloyds Bank decided a couple of years ago to re-locate some head office functions, it settled on Bristol both because it was sufficiently large to provide a pool of labour, and attractive enough for senior managers to

agree to move there. Small, high technology, com panies are scattered around the region for the simple reason that their founders wanted to live there. The population of the region is growing due to migration into the area. Many are of retirement age, but the

Male unemployment

## Midlands' internal variations

IT WOULD be natural to suppose that plans for a hightechnology business park that could eventually create 12,000 jobs might be welcome in a region like the West Midlands, where male unemployment is over 12 per cent.

Not so. Arlington Securities. the developer that wants to build the £100m park next to the M42 at Portway in Warwickshire, has run into angry opposition.

The trouble is that unemployment is not a problem in Warwickshire. Male unemployment in the county town'a travel-to-work area is a mere 4.7 per cent and people in the surrounding villages are more interested in preserving rural tranquility than they are in employment We don't need industrial

sites," says Mrs Shirley Brown, chairman of the Forest of Arden Action Group. "People just don't need the jobs."

The story illustrates how the divide between north and south has moved up into the Midlands, Companies wanting to move out of the overbeated South-East - particularly those in the service sector have looked for the next leafy location northwards and dis-covered Warwickshire in the West Midlands and Northamp-

tonshire in the East, These two counties are now virtually extensions of the South-East, with property prices, unemployment and lev-els of prosperity to match. Kven Corby, devastated by the closure of its steel works at the beginning of the decade, has seen male unemployment fall

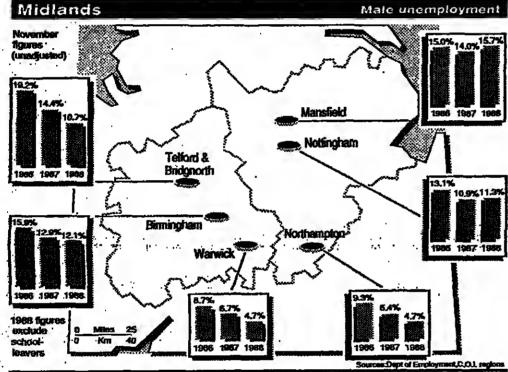
to 8.1 per cent.

But if the north-couth divide has moved, it is still not clear precisely where the boundary lies: for there is more to the distribution of wealth in the Midlands than a simple geographical split.

Take Birmingham itself, the capital of the West Midlands industrial heartland. Even within the boundaries of this comparatively small and cohe-sive conurbation, there are wide variations of prosperity

The first-time visitor, for example, might emerge from New Street station and think he was in Boom City as he gazed upon the £1.25hn worth elopment going on around him.

To an extent, he would be right. The industrial recovery of the region combined with the construction in central Bir-



mingham of Britain'a biggest convention centre has sparked a wave of investment in offices, shops and hotels that is changing the face of the city's central area.

The same impression is conveyed by house prices that last year were among Britain's fast-est rising, office rents hitting the £14 a eq ft mark for prime sites, and indicators of corporate activity such as Britain's second highest rate of stock market flotations last year after the South-Bast.

But the feeling of prosperity is easily dispelled. The visitor would not have to walk many hundreds of yards in almost any direction from Birming-ham city centre to find himself amid depressing scenes of

urban deprivation.
Nearly all the inner city
wards — Aston, Handsworth,
Ladywood, Nechells, Soho and Sparkbrook - have male unemployment rates of 30 per

The reason is simple. Twenty years ago, Birmingham was still the manufacturing capital of Britain and its factory workers were the country's highest paid. But in the 16 years from 1971, as British industry's international competitiveness waned and recession began to set in, no less 304,000 manufacturing jobs dis-

Today, Birmingham has nailed its colours to the service sector mest and is trying to turn itself into an international business city with its National Exhibition Centre and International Convention Centre. Service sector employment rose from 289,000 to an estimated 316,000 between 1984 and 1987, and is undonbtedly higher

But most of the jobs created are not filled by the inner city's former factory workers and large ethnic minority population. Instead they go to the white-collar workers living in the leafier suburbs of Sutton Coldfield or Solihull, where unemployment is down to around 5 per cent: or else to part-timers, school-leavers, and women returning to the work-

The relentless drive towards greater productivity, mean-while, means that the number of manufacturing jobs contin-ues to fall, and male unemployment within the boundaries of the city itself – as distinct from the travel-to-work area – remains stubbornly high at a grim 17 per cent.

In this respect Birmingham is a microcosm of the Midsion began to set in, no less lands. The prosperity of much than 144,000 of Birmingham's of the region was founded upon

sion and prosperity in the Mid-lands therefore has more to do with the pattern of industrial development than with a clear-cut north-south divide. Shrewsbury, Stafford and Stoke-on-Trent, for example, all to the north of the main industrial conurbation, have far lower rates of male unemploy-ment than the motor engineer-

inward investment

Businessmen look at the man, go up the MI, find Milton Keynes, investigate it, find it's just as bad as London, find Northampton's the same, and we are the next stop up the

Again, though, it is the service sector that is thriving.
The jobs moving to Coventry are office jobs: according to Mr Mackie, industry prefers to stay where it is, terrified of losing its skilled labour in a move and surmounting problems of and surmounting problems of

the damage done to its tradi-tional manufacturing industry by recession. Yet only a few miles away lie Warwick, Rugby and Daventry with male unemployment rates of just 4.7 per

## Speckled picture in Scotland

New Housing in South-East 1991-2001

AT A superficial glance, Scotland seems to doing rela-tively well at the moment. Despite the onset of high interest rates, opinion surveys report that confidence among businesspeople is still strong. Unemployment continues to drop, falling by 1.5 per cent to November.

The economy is thought to be growing at least as fast as the UK economy as a whole. Average house prices in Scot-land rose by a reasonable but unspectacular 22.1 per cent in 1988 compared with the UK fig-ure of 34 per cent.

The upturn in the economy - which counts as a recovery rather than a boom - came to Scotland late. The main reason for this was not because of the slow radiation of growth from the south of the United Kingdom, but because of the effects of the 1986 collapse of the oil price on the Scottish economy. That sethack cost Scotland at least 20,000 jobs and though its worst effects were concen-trated in the north-east, the shake-out in oil-related mann-facturing had an effect on many other parts of Scotland. It was not until mid-1987 that the Scottish economy began to show unmistakeable signs of

recovery.

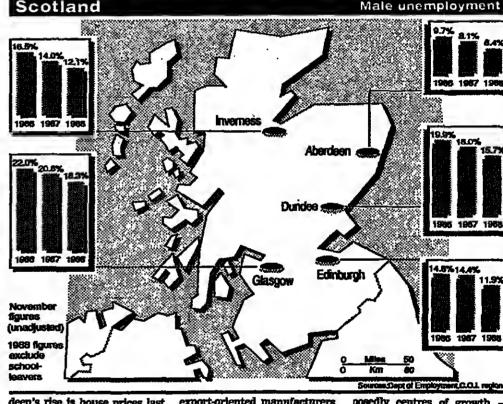
Yet even in the current relatively sumny climate the pattern of prosperity in Scotland is patchy, and there are some disturbing longer-term trends.
The seasonally-adjusted unemployment level is still the third highest in Britain (beneath only Northern Ireland and the North). Within that total, aver-

age male unemployment amounts to 13.3 per cent. Furthermore the fall in unemployment is not being matched by a comparable rise in employment - in Scotland employment rose only 0.1 per cent in the year to June 1988, compared with e rise of 1.3 per cent in the UK as a whole. This may have been because businesses expected the recovery to
be relatively short-lived, while
the drop in unemployment
may be due in part to people
leaving the unemployment register through retirement, or migrating to take jobs else-

The map of prosperity is speckled. The richest place is undoubtedly the Aberdeen area: it has the lowest unem-ployment of any of Scotland's cities (5.4 per cent) and is the only one whose population has grown over the past 20 years. This is mainly due to the development of North Sea oil and gas, which came on top of an economy already strong from fishing and agriculture, and lacking heavy industry. The new suburbs and townships around Aberdeen are full of medium and small manufactur-

ing concerns.

The city felt the 1986 setback of the North Sea oil but has Richard Tomkins largely shaken it off: Aber-



deen's rise is house prices last year was, at 35.8 per cent, the econd highest of the Scottish

cities, after Edinburgh. In the central belt, Edinburgh is doing fairly well but ought to be doing better. It has high male unemployment (see chart) and its population of about 440,000 is falling (for example in 1985/86 deaths exceeded births by 640 and migration took away another 800). It is the centre of the fastest growing sector of the Scottish economy in terms of employment - banking, finance, insurance and business services - and this ness services — and this appears to have grown strongly in the past two years. But the city's economy would almost certainly have expanded faster had it not been for a long histus in the granting of planning permission for major new urban developments, now at last easing. Edinbursh is however the most

Edinburgh is however the most attractive Scottish city for nigrants from the south, and in the past two years house prices there have grown faster than anywhere else in Scotland, going up by an average of 39.5 per cent last year, accord-ing to the Halifax Building Society.

The economic recovery of the past year and e half has most benefited Scotland's main centres of manufacturing industry, the Glasgow area and Dundee. Though Dundee still has high unemployment its economy is in a healthier state than it has been for several years, and urban renewal projects are beginning to bear

The real success - but with important qualifications - has been the Glasgow area. The

of capital equipment in the towns surrounding Glasgow have mostly done well in the past year or two. The centre of Glasgow has thrived, thanks to increased use of the city's professional services by industry, growing tourism encouraged by a sustained campaign to improve the city's image and facilities, and last year'a Garden Festival. Yet the city still has male

unemployment of 25.2 per cent (the figures in the chart refer to the much larger travel to work area) and its population is in decline. The city's peripheral housing estates are still miserable concentrations of deprivation and it is hard to quarrel with the conclusion of a recent academic study that Glasgow is heading towards economic dualism, with a wealthy centre that has little in common with and does little to benefit a poverty-stricken

A serious long-term problem for Scotland is the slight but steady decline in the Scotlish population, as a small natural increase is outweighed by a net loss to migration. The population is estimated to have been 5.1m in mill-1967. It is predicted that it will have reached 4.7m by 2025. Apart from Grampian

region, whose centre is Aberdeen, the only regions of Scotland whose population has increased by more than two per cent between 1976 and 1986 are the lightly-populated High-land region, and Shetland, Ork-ney and the Western Isles, boosted by the oil industry and/or by immigrants from the crowded south. Three of Scot-

posedly centres of growth showed marginal falls in population between 1984 and 1987 Out of a perceived lack of opportunities at home many Scots in their twenties and thirties leave their country for jobs in the south of England or abroad. It is e trend thet probably gains impetus from the decline in the number of Scottish quoted companies - there are only about 75, including investment trusts. Takeovers by companies based outside Scotland usually mean e decline in Scotland's economic autonomy and a fall in the need for top quality profes-sional advisers in supporting services such as accountancy and law. A new crop of Scot-tish companies is coming up, but few of them seem eager to risk Stock Exchange quota-

Scotland has been wrenched agonisingly out of its over-dependance on heavy industry in the past 20 years and now has an economic profile — the division of output and employment between services and manufac turing - very similar to that of the UK as e whole. It has some relatively strong eco-nomic sectors – financial ser-vices, electronics (though this is largely a branch plant indus-try which produces virtually no employment growth), whisky, textiles and engineer-ing, and others with good pros-

pects, such as tourism. But Scotland will have to run hard just to stand still in the 1990s when its population decline bites just as the European single market and the Channel Tunnel come

onstream.

James Buxton

## An east-west divide

From previous page ern bridge approaches) gained

over 8.000 Industrial West Glamorgan has also suffered from emigra-tion (nearly 9,000 left between 1981 and 1987), but Clwyd and the rural counties have all gained. But here the picture is distorted by a big influx of retired people. The exchange of the young and mobile for the old and less mobile does not auger well for economic

The broader picture also provides grounds for qualifying the current public optimism. Manufacturing performance has been commendable, indus-trial production as a whole is still only 5 per cent above its 1980 level, while employment in the service sector has been virtually static in recent years. Self-employment did increase rapidly (by 20 per cent) between 1982 and 1984. But since 1984 neither employ-

force has also remained constant since 1984, though the number of female part-time jobs has increased by 12 per

ment nor self-employment have increased. The fall in unemployment has been the result of people no longer offi-cially seeking work. The pro-portion of females in the work-

As in the past, manufactur ing-led recovery may prove dif-ficult to sustain without parallel development of more dynamic activities. Recent studies have shown Wales to have far less than proportionate shares of R&D, employment, microelectronics consul-tancy firms and computer service businesses.
On the credit side are recent

efforts to improve the financial infrastructure. Cardiff has had notable successes in attracting banking operations and recent years have seen a rapid growth of venture capital sources, dominated by him Cardiff but with the Welsh Development Agency and Welsh Venture Capital providing a "hands-on" approach for smaller compa-

If venture capitalists recog nise real economic potential these are encouraging develop ments. But here, again, it is south-east Wales that appears to be the main beneficiary.

Lynn Mainwaring

the old metal-bashing industries that sprang out of the ready availability of the industrial revolution's main raw materials - coal, fron and Today, these much-reduced industries are in a strong recovery phase. But barely a

day passes, without more redundancies - not because of poor sales or profitability, but through a constant drive towards greater automation and productivity.

The divide between depres-

ing city of Coventry, just 80 miles from London.

Yet some of south-east England'a prosperity is undoubtedly spreading into the southern parts of the region. Coventry in the West Midlands and Nottingham in the East are two cities feeling the rip-

I have a very simplistic notion about why Coventry is doing so well, says Mr Myles Mackie, the city's head of

and surmounting problems of capacity by subcontracting to suppliers in the north.

Male unemployment in Covenity therefore remains painfully high at 12.8 per cent in the city and 10 per cent in the travel-to-work area because of the degree done by its tradi-

Minister's relocation argument may fall on deaf ears

## South East companies aim to expand within the region

HIGH TECHNOLOGY companies of the South East operating in areas of growing importance to the national economy have no desire to move out of the region. Rather, they are seeking extra space within it.

be published, have been reached after analysis of the findings in a survey of more than 100 companies, employing nationally 700,000 people, car-ried out by Jones Lang Woot-ton, chartered surveyors.

They tend to counteract the notion, expressed as a hope in Government statements, that growing congestion in the South East will force companies to seek alternative loca-tions and heuce redress the

regional economic imbalance.
This hope was expressed in
January by Mr Malcolm Rifkind, the Scottish Secretary,
when it was announced that
the Department of Social Security intends to push jobs out from London to the regions.

"At a time when costs in the south east of England are escalating, when congestion is increasing, it surely makes sense to move to Scotland. Relocation does not only make sound sense in economic terms but also helps to balance amployment opportunities throughout the country and beyond that to demonstrate the political unity of the kingdom," he said.

But the conclusions from the JLW survey in fact downgrade this argument. The northern parts of the country are not antomatically a more attrac-tive corporate location for com-panies already established in

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the South-East, Indeed, JLW accommodation costs are found that concern about the treated as a lower priority than in periods of more uncertain outlook. cost of accommodation was a factor of major importance for only 30 per cent of the compa-Again, the picture may be shaded when results of inter-views with a further 130 com-panies are fed into the analy-

nies it surveyed. However, the bleakness of the conclusions – for those seeking to draw high technol-ogy companies into the Midlands and northwards - can be qualified.

JLW carried out its survey the first half of 1988 among chemical, pharmacantical, computer, electronic scientific, aerospace and defence companies. Then, arguably, economic confidence was at a higher level than it is now. At times

on corporate perceptions of the ideal location. Such changes would tend not to be translated quickly into business plans and the existing demands of the sur-veyed companies for extra of high economic confidence, space are almost exclusively directed towards not just the Sonth-East, but a relatively

small part of it. "Over half of occupiers have specific space requirements totally 4.5m square feet of mainly office space. Approxi-mately one third of demand is for headquarters space and 75 per cent of the 4.5m square feet is for units of 100,000 square

Further, the intensity of

ebate about the deterioration

of the environment in the

South East, relative to that of other parts of the UK, has

sharpened over the past year. This may have had some effect

feet or more," JLW found.
But overwhelmingly these office requirements were for Greater London and the arc of counties to the West, or for districts which were close to existing operations. There was, in short, a clear preference for the status quo, There was little inclination to move even east of London and only one com-

outside the South-East.

These findings are a sobering reminder that much of the easy talk about relocation reflects an aspiration on the part of those who would like to generate movement rather than an analysis of what is actually taking place. Indeed, other research undertaken by JLW has shown that when companies decentralise from central London, they tend not

to move very far.
Growing internationalisation of business has meant that companies place great store on the nearby presence of an international airport. Hence, the importance of Heathrow in inducing companies to settle on the western side of London. They place great store on car-parking facilities, although, in fact, these can probably be bet-ter provided the further away from London they move.

But the survey showed con-cern that, outside the South-East, there would be problems about recruiting suitable per-sonnel and problems about retaining staff. "Disturbing the workforce acts as a deterrent to relocation," JLW quotes one

executive as saying.

What all of this appears to be saying is that the South-East's problems of economic growth in a confined geograph-ical area are not yet so acute as to cause the companies in the survey radically to change their property needs. They may want more carparking or bet-ter air conditioning or glitzier premises, but they want them somewhere else.

If this is true, then it seems likely that the Government's desire to foster more even regional growth will not be spearheaded by the established private sector, short of expan-sion beyond present dreams. Assembly and manufacturing plants may be scattered over the country but those in control will remain in the South-

Nor will it necessarily be spearheaded by the public sector. The Government itself may shift some of its administrative functions to the regions. Indeed the Property Services Agency is in the mar-ket looking for space. But the Government, in maintaining its departmental bead offices in London, behaves just like the private sector companies canvassed in the JLW survey.

### **RELOCATION: WALES**

## Tasty deal for meat pies

FOR W A Turner the decision to open a further plant outside the South-East was a matter of necessity. It simply did not have the room to expand on its current site in Tunbridge Wells and, even if it could have found the land, it would have faced severe difficulties finding workers for any expansion.

"The number of jobless around Tunbridge Wells is about 2-3 per cent," says Mr Howard Blakebrough, Turner's managing director. "The reality is there is no unemployment. It is terribly difficult to find workers for any expansion

scheme here."
Turner therefore looked north, out of the tight labour market in the South-East. Other requirements were to be near a motorway network for easy distribution of its products, and able to receive maximum grants available. That meant not just an assisted area but also, if possible, to an enterprise zone within one.

The company dismissed the North East, Scotland and Northern Ireland because of the nature of its distribution needs. Turner makes pies, sausages and meat-based ready-made meals, most of which are own-label items sold by the big chains under their

put is chilled foodstuffs and the rest frozen. Distribution is therefore crucial and Mr Blakebrough said the company con-sidered these three areas would take it too far from its main markets.
"North of the M62 motorway

did not really make sense for us," he says. "Corby would actually have been ideal. It is,

returned to see if they could offer further assistance. Flint had one other plus fac-tor: the Welsh Development Agency. Mr Blakehrough says the agency "did a very good job." It was the initial contact point and subsequently opened doors "to people who mat-tered." The agency "oiled the wheels. It did not 'sell' an area.

It was a straight fight between Scunthorpe and Flint ... Flint had one other plus factor: the Welsh Development Agency

geographically, near the centre of England. But Corby has been really successful and looking ahead five years we detected the makings of the same problems we face now in Tunbridge Wells."

Rotherham and parts of south Wales were among those considered and discarded early on and eventually the decision came down to a straight fight

between Scunthorpe and Flint. "Both had good labour forces and good representatives. The local enterprise agencies in both were attuned to our needs and, most important, they did not leave us after the first conIt left us to make up our mind but it knew when to come in and when to stand back."

For Turner the move north offers important opportunities. The company is part of the Fitch Lovell group and has been in Tunbridge Wells since 1971. It was set to cover a com-1971. It was set up over a cen-tury ago, in 1852 in Suffolk and for years was a small East Anglian pie and sausage manufacturer

It reached the dizzy heights of selling its pies at Euston sta-tion once and even managed to get a line into Harrods. But for the most part lts base was

Wells. Turner has expanded its product range and selling area so that it now covers the country. Its current turnover is more than £20m, with a staff of

As a result of opening a plant in Flint, Turner will transfer production of ready-made meals to north Wales. Growing demand for these products means it even-tually expects to employ 400 in

a 40,000 sq ft plant.
This will not mean labour cutbacks in Tunbridge Wells according to Mr Blakebrough because expanding production in the products left behind will absorb the workers previously employed on the ready-made meals line.

Flint has one extra attraction. Turner has bought a six-acre site, though it will need only half that in the immediate future. The other three acres are for future expansion. Turner is that confident of the future.

Turner's move north is therefore not just a way of get-ting over physical constraints in the South-East. It is also about expansion - now and, it

because Zonal is getting greater productivity from its

Scottish workforce, which now numbers 38 and is set to go to

50 within a year or so.

"I'm not saying there's anything wrong with the workers in the south, but the people at

Invergordon are willing to put

everything they've got into it. They're reliable people and job

**Anthony Moreton** 

### **RELOCATION: SCOTLAND**

## Soft sell secures the tape

MOST OF the companies which set up their operations ontside the south-east of England go little further than East Anglia, the south Mid-lands or the South-West. But that is not a criticism that can

be raised against Zonal.

Zonal, a leading maker of recording tape based at Redhill in Surrey, has shifted a large part of its manufacturing operation to invergordon, north of Inverness in the Highlands of Scotland. After a little over a year it not only pronounces itself delighted with its deci-sion but has also persuaded one of its suppliers to move with it, and should shortly announce the arrival of a sec-

Mr Alfred Heise, Zonal's managing director, found that Zonal's expansion at Redhill was blocked by the difficulty of obtaining and keeping reliable staff in an area heavily dominated by the pull of Gatwick airport. "People in this area

ing jobs to be aircraft cleaners on £5 an hour," he complained. "We couldn't get people — and when we did get them they usually left, knowing they could get another job."

Mr Heise considered several possible regions for relocation, looking at Wales, the West Midlands, and the North-East and North-West of England.

and North-West of England. Then a neighbour near his holiday cottage near inverness suggested that he talk to the Highlands and Islands Development Board about moving to the Highlands

"What I liked about them was that they didn't do the hard sell," says Mr Heise, "They suggested I went to look for myself and made up my own mind. Without any of the flip charts the others used, they were actually more post-

Zonal set up its plant in the Enterprise Zone at Invergordon created when an aluminium smelter there closed. It

ect. The plant opened in Sep-tember 1987.

Now Zonal carries out the

capital intensive chemical operation of coating the tape at its Redhill plant, then transports the tape to Invergordon. Here the more labour intensive task of splitting the tape into smaller lengths and packaging it for different markets is car-ried out. The finished tape is then transported to the customers (70 per cent of Zonal's production is exported) or returned to Redhill for ware-

"My big worry was the cost of transport," says Mr Heise, not surprisingly in view of the 600-mile distance between the plants. But in fact our trans-port costs have gone up by only 2% per cent. Against that, the efficiency of our operation has gone up by 15 per cent."

The smallness of the increase in transport costs is

partly due to greater efficiency in transport dianning The company uses a single lorry which makes one round trip from invergordon a week. That obliges Zonal to concentrate its shipments instead of despatching in smaller amounts, as in the past.

Efficiency has gone np

They're remains people and on security means everything to them," says Mr Heise. There has been no staff turnovar since the Invargordon plant opened. Zonal sent only one man from Redhill to invergordon, the general manager Mr Dave

Quinton. All other staff were recruited locally. The company has now per-suaded its packaging supplier,

Cohen Boxes, to set up a plant at invergordon to supply Zonal and win other local business. It should eventually yield 20 to 30 jobs. Negotiations are now going on for Magna, a West German company associated tion moulding plant at Inver-gordon to make cassette boxes and spools for Zonal. It could aventually create 40-50 jobs.

> James Buxton Scottish Correspondent

**RELOCATION: MIDLANDS** 

## In the middle of the action

COVENTRY, the West Midlands home of Lady Godiva and a famous cathedral, is more commonly associated with motor manufacturing and engineering than with sunrise industries and the service sec-tor. Yet it was to this city that Telemecanique Electrique city's attractions, but Mr Hud-(Great Britain), the UK off-shoot of the French industrial reason for the decision: the

automation group, came when it moved its headquarters from the South-East in July 1987. Telemecanique is a world leader in the design and manufacture of hardware used in the automation of industrial processes. It does not make the equipment in the UK but it has 170 sales, administration and engineering staff in the country who until 1987 had been mainly based in Ashford, Kent.
As Mr Bob Hudson, managing director, recalls: "In those

days we were primarily elec-tro-mechanical people, and with electro-mechanical products the amount of training one has to give one's customers is relatively small.

Then in 1985 we decided we wished to grow faster, and we set ourselves the target of doubling turnover in the next five years. We had also entered the electronics field with program-mable controllers, variable speed drives and other electronic products.
"Increasingly with these

products you are talking about total systems, which means that your customers want to visit you to discuss them with your engineers. You have to run training courses and you have to be available to your customers very readily.
"We found that operating from Ashford in Kent, this was

not easy because of the communication barrier presented by Loudon."

A careful study of the options led it to the conclusion; that the company should relocate somewhere close to Bir-mingham airport, half-way between Birmingham and Coventry. Its architects came up with a greenfield site on the Warwick University Science Park near Covantry's south-west perimeter.

It was here that the company worsel its headquarters at \$\mathbb{T}\$ in

moved its headquarters staff in 1987. Some £2m was spent on 30,000 sq ft of premises includ-ing a 96-seat theatre and eight training rooms. Between 80 and 90 people now work there in applications and engineering, administration, training, sales, marketing and manage-

Coventry's large labour pool and the (then) relative cheapness of land were among the

vast improvement in communi-

"From the point of view of talking to our customers, here in the Midlands we are eight miles south of Meriden, the geographical centre of the country; but more importantly, we are right in the middle of Britain's industrial rectangle. That means 80 per cent of our customers can get to us and return bome by car the same

day.
"We have the M1, the M6, the M5 ... the roads are unbelievable compared with the South-East, where motorways are almost unheard of Birmingham airport is only 20 minutes away, and the train service to London is excellent. It really is a dream."

Paradoxically, however —

perhaps even ominously from the Midlands' point of view – the physical distribution of Telemecanique's products is still carried out from the com-pany's old base in Ashford. The reason for this is that the materials that make up Telemecanique's systems are nearly all imported through Dover, and in the long-term

they are likely to come through the Channel Tunnel. Ashford is therefore ideally placed as a staging post for onward transmission into the

Of the 80 or so employees at Coventry, 24 moved from Ash-ford. Another 20 came from the company's other UK locations and the rest were recruited

According to Mr Hndson, those who moved from Ashford are extremely pleased with the result. They enjoy good hous-ing, they are close to the countryside, and easier access to their customers means they spend less time away from their families on overnight

stays.

If Mr Hudson has any regrets, it is that too many other people are cottoning on to Coventry. Land and property prices are catching up with those in the South-East

fast, he says.
"I don't want to make it sound too attractive. There are too many people coming up here already."

> Richard Tomkins Midlands Correspondent

## **Pressures of Success**

Continued from Page 5 South West is also attracting

working age migrants. But the region has pockets of relatively high unemployment, particu-larly in those areas of the more peripheral sub-region of Corn-wall which have suffered from contraction of the engineering industry and tin mining.

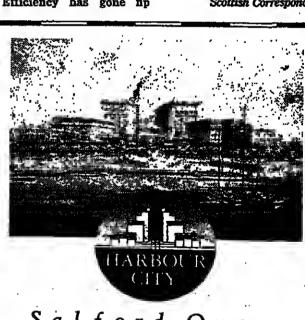
The South East, East Anglia and the South West, the regions of southern Britain, display many characteristics in common. The overall picture is one of growth, with consequent pressures on housing, transport, availability of labour, and costs. But there are still significant pockets of unemployment giving rise to big variations in jobless levels, between, for instance, west London and

inner east London; north east and south west Kent, the inner and outer suburbs of Bristol. On the other hand, standard

regions ignore the fact that common factors might straddle regions. The M11 corridor, for instance, stretching from south Cambridgeshire, through Hertfordshire and into Essex, will be the focus of future econo growth, defined largely by the means of communication.

> John Hunt and Hazel Duffy

\*Regional Economic Prospects, Cambridge Econometrics, 21, St Andrew's St., Cambridge, CB2 3AX, Full report £1,500, short



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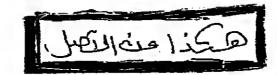
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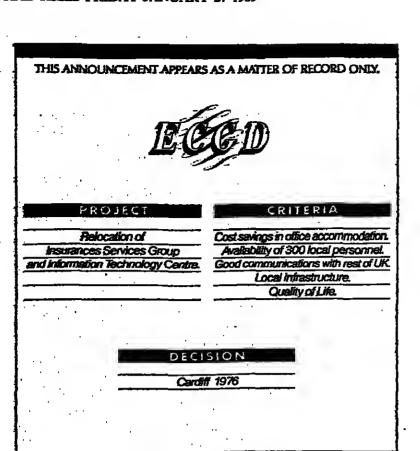
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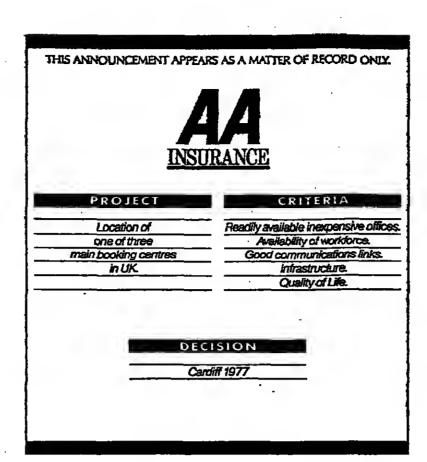
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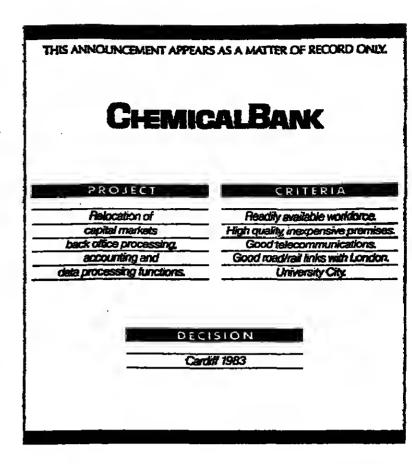
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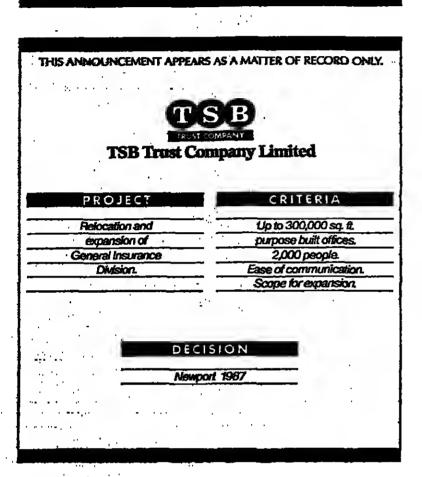


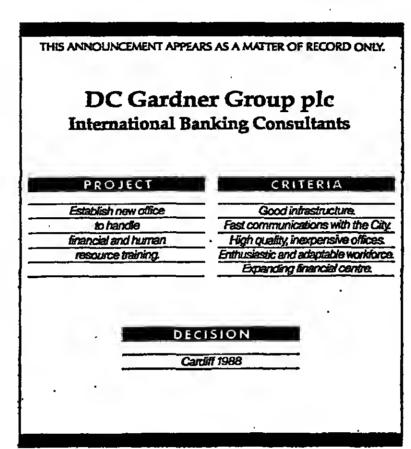
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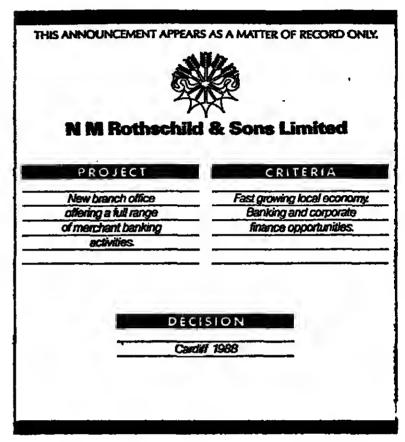


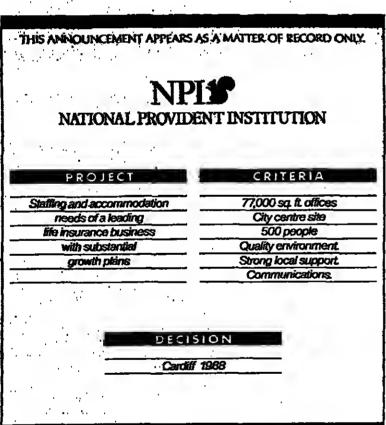


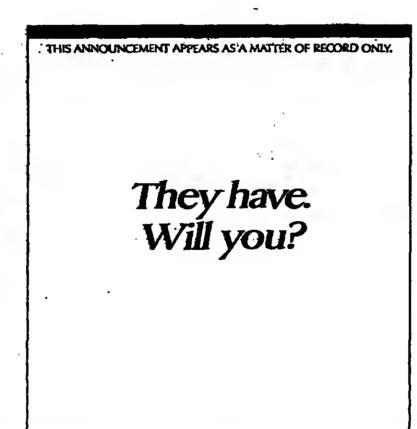


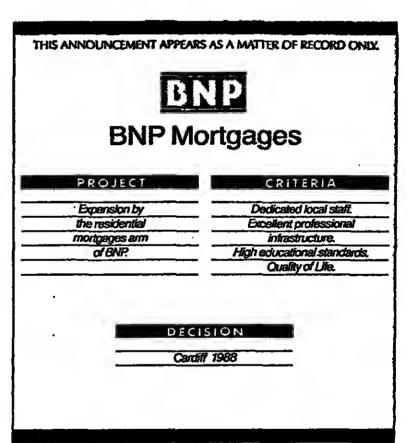












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### **BRITAIN'S REGIONS 8**

The way ahead? (Principal proposals)

SCOTLAND

upon Tyne

Transport: improved links are vital to regional growth but ...

MR PETER Bottomley, the Roads Minister, attracted a lot of unwelcome publicity a few months ago when he urged motorists to think of traffic congestion as a sign of prosper-

The remark was widely regarded as shocking evidence of ministerial complacency in the face of the daily frustrations facing millions of drivers

on Britain's roads. In terms of political sensitiv ity, Mr Bottomley's remark ated somewhere along mer Prime Minister Jim Callaghan's famous question — Crisis, what crisis? — at the neight of the 1978/79 Winter of

In fact, however, Mr Bottomley was right, though he may also be complacent. One of the najor difficulties of transport planning is that growth in demand is a lagging indicator generally emerging some time after growth in the economy as a whole.

The transport infrastructure in use now was designed either when the overall level of economic activity was much lower, or, in the case of the 1970s and early 1980s, when growth appeared likely to stop

altogether.
The result is crowded roads, overloaded trains, and a lot of lost time and money. The Freight Transport Association, for example, recently calculated that delays on the M25 London Orbital Motorway are costing the haulage industry around £13m a year.

Unfortunately for Britain's regions, with the exception of links such as the M62 and the M6 between Birmingham and Liverpool, most of this congestion is concentrated in the South-East.

From the point of view of the regions, there are great dan-gers in the political pressure which can be brought to bear by the South-East, especially on a Conservative government. For example, a great deal of

thought is currently being given to improving the links between central London and Heathrow airport, and money is already being spent on improving the rail link from London to Stansted airport.

Yet northern husinessmen and politicians have been pressing unsuccessfully for years for Government action to divert some excess air traffic from the South to northern air-

By the same token, Mr Paul Channon, the Transport Secretary, is currently considering a series of options for improved intra-London rail and Under-ground links presented in the Central London Rail Study, prepared by London Under-ground and British Rail's Net-

work South-East sector. Yet businessmen complain that pleas to BR for electrifica-tion of important rail lines, such as those serving Bradford, Derby, Chesterfield, Sheffield, Nottingham and Hull, fall on deaf ears.

The political pressures created by congestion in the South-East are exacerbated by the economic pressures arising from the proposed completion of the European single market in 1992, and the construction of the Channel Tunnel, scheduled for completion in 1993.

The Government is committed to improving the access

roads to the Channel ports, as

part of the package of mea-sures intended to alleviate the

ferry industry. Separately, British Rail is

moving towards a deal on a high speed rail link from Lon-

don to the tunnel portal which

would match the 180mph run-

ning which is expected on

The high speed link will probably be at least partly financed privately, but the effect is likely to be concen-

trate attention still further on

the problems and opportunities

of the South East, and away

Ideally, the Channel Turnel

should present an opportunity

for northern businesses to pen-etrate the expanded European

Community market of 320m people which will be brought

and the support of Eurotunnel, the Channel tunnel consor-

tium, has helped persuade BR

to move towards abandoning

plans to channel all interna-

tional freight services through

a single depot at Willesden, in

Mr Ian Brown, managing

director of BR's Railfreight Dis-

tribution division, says a review carried out by his staff

But only hard bargaining,

within a few hours by rail.

from the North.

North London.

French and Belgian tracks.

mpact of the tunnel on the

South-East will grab the cash England by creating a viable east/west axis to rival the hisat Willesden could add up to six hours to some journeys

from the North. torical pull of the south. As a result, manufacturing Mr Brown is now drawing up companies such as Northern plans for a series of regional freight depots at which trains Foods and Coloroll have been will be formed to run direct to the tunnel, bypessing London encouraged by the motorway the tunnel, bypassing London on upgraded lines to the west. link to sites in areas they might otherwise not have con-

The regional depots – at Strathclyde, Liverpool and/or Manchester, Leeds and/or Wil-Pikington, the world's big-gest glassmaker, recently decided to site a new plant in St Helens, Lancashire, and supton (near Redcar), Birmingham and one other Midlands locaply its southern markets via the motorway network, rather tion, and South Wales - will have Customs clearance facilithan pay a 225m premium to site the plant in Kent. On the rail front, British Rail ties and could help BR achieve its target of 30 per cent of cross Channel freight traffic.

saying for months. The Leeds

Chamber of Commerce, for example, asked in a report pub-lished last Autumn why BR

appeared to be foregoing "a

major business opportunity."
Railfreight provides a good illustration of the fears of

many in the North that the regions will simply be forgot-

ten as economic growth contin

ues to concentrate attention on

"There is a great danger that investment will be focused on the South-East, partly to combat congestion. But prosperity in Britain needs to be much wider spread," says Mr David

Fletcher, executive director of

TransPennine, a private sector group recently launched to lobby for more investment in

the North.
"A picture of Britain with an

overheated South-East trying

to support the declining

regions is not an attractive

one," he adds. "What we have

to do is to promote the invest-ment, in transport links as well

as in other areas, which will

ensure that economic growth is experienced in the North."
The Government is able to

point to a great deal of invest-

ment in transport links to the

regions over the years, some of

it very successful

the South-East.

To transform prospects in the North requires a

conscious decision to invest in new transport

Mr Brown says he accepts that Willesden is not "a saleable alternative," and that BR's own profits will be maximised by decentralising the electrified the West coast main line to Liverpool and Glasgow years ago, and is currently completing the electrification of the East coast main line as international freight operation. Yet this is precisely what northern interests have been far north as Edinburgh.

Yet there remains a wide-spread feeling that the North is a poor relation, with transport links which do not measure up to the requirements of the

suggested improvements - the Confederation of British Industry lists 25 road schemes it would like to see started in its northern, north-western and zions alone

duced by the Association of British Chambers of Commerce, the British Road Federation, the Road Haulage Asso-ciation, local councils and academics.

 Upgrading of the A1 to motorway standard throughout its length. The A1 — the major North/South link east of the Pennines – still has nearly 2,000 junctions with minor roads, farm yards and private

motorway standard to the West of the existing motorway and linking with the M42 and M40 via the planned Birmingham western orbital route.

There is powerful support for

infrastructure there will be an even greater disparity between our region and the South-East than there is at the moment, and that cannot be good for anyone," he says.

Yet Mr Gunnell says there is little hope of positive Government action to promote investment in the North in a climate in which, for example, air trafchester to Stansted

"I think we need to look at strategic planning on a regional basis. That would be very beneficial in terms of sort-

ing out the priorities which would get the North going again," he says.

"It is not that we are not seeing an increase in economic activity in the North now, but we have a long way to go before we catch up with the momentum of the South-East. the Government view that the prosperity of the South will gradually spread until it takes in the North. For example, Peter Hall, Professor of Geography at Reading University,

Birmingham

WALES

concluded in a recent study "It was not too fanciful to think of transforming the North through the laissez-faire mechanism, rumoured to be in ment ministers; by letting the South ripple north until it

South ripple north until it reaches the North."

However, Mr Hall also concluded that the necessary conditions for a rapid change of economic conditions in the North do not yet exist.

"To transform development prospects in the North...will take a conscious decision to

take a conscious decision to speed up the natural trends, by investing in new transport he writes, Kevin Brown

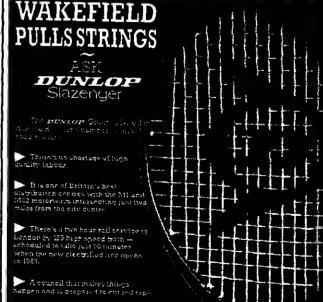
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There are literally dozens of Yorkshire and Humberside

Other lists have been pro-

There is general agreement on a number of priorities, how-

 An all weather route from Sheffield to Manchester along an improved A628. This would be 30 miles shorter than the journey via the M62, and would reduce congestion on the motorway, it could also ease pressure on the M6 by providing an additional North/South link via the M1.

• Improving the northerntransPennine routes by dualling the A66 from Scotch Corner to Penrith and on to Workington, and dualling the A69 from Newcastle to Carlisle

An M6 relief road, built to

There are also proposals for an East Coast motorway, northwards to the Humber Bridge, passing close the The Wash before crossing the under-used Humber Bridge and on to Scotch Corner. Mr John Gunnell, chairman of the Yorkshire and Humber-

of the Yorkshire and Humber-side Development Association and the North of England Regional Consortium, says the proper response to both southern congestion and the opportunities of Europe is to shift investment to the North. "If we don't get reasonable







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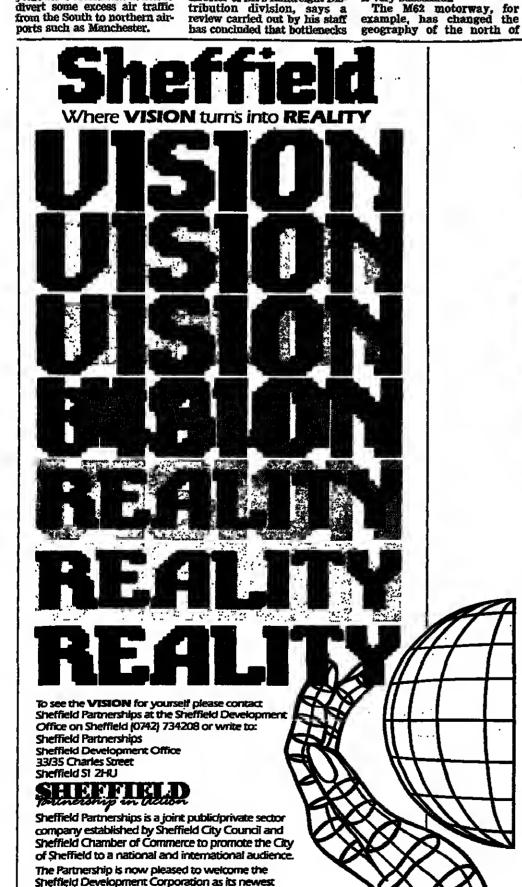
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North of England development agencies are breaking records

## Greater sense of teamwork

THE THREE Government-backed inward investment agencies for the north of England have been doing record business, with new jobs being imported in batches of hundreds.

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LOOK

18 A. P. 238 Sept.

eel (Industr)

There are now 23 Japanese companies in the North-East and 24 West German ones. In the North-West the area around Runcorn is beginning to look like a US colony. On Humberside, Mitsubishi is set-ting up a factory in Hull docks and Citizen Watch is making computer printers at Scun-

Nissan, the most high-profile regarding the most night-faculty foreign investment of recent years, is expanding car production quickly in Washington, Tyne and Wear and has now created over 3,000 jobs. In nearby Birtley, Komatsu is

nearby Birtley, Komatsu is branching out from excavators into earth movers.

Understandably, these suc-cesses are being "talked up" for promotional purposes, but an occasional note of caution can be heard among the fan-

The Rev Bill Wright, a pioneer of enterprise training in the schools of Cleveland, put it this way to a Business in the

Community conference two years ago: "We need a new Nissan every month for 10 years if we are going to eradicate cur-rent unemployment levels." The view is echoed privately now around the boardroom hunch tables of leading companies and financial institutions, but not much outside. No one

wants to be accused of pessi-mism or of rocking the boot. Last November's unemployment figures, released just before Christmas, underline the scale of the problem. The North-West, which is the largest of the north's three regions, still had 301,200 unemployed, Yorkshire and Humberside

An occasional note of caution is to be heard among the fanfares

209,800, while the figure for what the Government calls the "North" – comprising the North-East and Cumbria –

was nearly 164,000. Most inward investments make only a tiny dent on such numbers, as evidenced by the

### **NORTHERN LIGHTS**

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first big new investment announced this year. This was the conversion of a dockland warehouse in Hull by Mitsubishi to make service modules such as tollets and plant rooms
- which are slotted straight into new or refurbished buildings. The factory may eventu-

ally create 200 new jobs. However, the value of such things cannot be looked at in isolation. Dr John Bridge, chief executive of the Northern Development Company, one of the agencies, points out that investments and expansions by foreign companies can only take place if there is a network of component suppliers in the

This is vital if the inward investors want to use the UK as a base for exports throughout the European Community. Local content is critical to goods being accepted as "Euro-pean." This content has to come from indigenous UK industry. This in turn means that local suppliers have got to meet high standards of design and quality at competitive

prices.

The development of this infrastructure of supply has been a key factor in the increasing success of the inward investment agencies in recent years. For example, the Yorkshire and Humberside Development Association (YHDA) would not have persuaded Citizen to Scuntborpe if the necessary quality of injec-tion moulded supplies had not been available in nearby West

In the North-West, the Man-chester offices of the Japanese banks Fuji and Sanwa make great play of this as their staff service existing Japanese-owned companies all over the north and scout the ground for new ones thinking of moving in. The Japanese bankers say that 10 years ago this infra-structure of competent suppli-

The sptly named inward, the north-west's agency to attract foreign investment, exploits
the region's growing network
of smaller, high technology,
suppliers as hard as it can.
Inward, however, exemplifies
something else of what is happening - the regions have been getting better at getting

their act together. When Nissan first went hunting for a British base in the early 1980s, one of the aces with which the North-East beat its rivals was

the quality of its teamwork.

This was far superior to that
of Yorkshire and Humberside
which many admit privately to
have been characterised more by disarray than togetherness. Lessons have been learned everywhere from this. Competition and rivalry for jobs continues, but not on a beggar-my-neighbour basis, even

between the regions.

The North-West - where the rivalry of Liverpool and Manchester has been raging for the greater part of two centuries was the last of the three regions to sort itself out.

It took skilful diplomacy by Mr Ken Medlock, then a Mer-seyside business leader and seysine business leader and now inward's chairman, to pull people together. Mr Basil Jeuda, the chief executive, is a former leader of Cheshire County Council, while head quarters is in Chorley, deep in the heart of Lancashire.

Crucial to this greater sense of teamwork has not only been of teamwork has not only oven the willingness of local anthor-ities to sink differences but also of the private sector to support the agencies.

The Northern Development Company struggled to ensure that Durham, then Cumbria, came into its fold, but it had less difficulty in getting more than 200 private sector compa-nies in the North-East to sub-

Meanwhile, the YHDA — chaired by Mr John Gunnell, e prominent Yorkshire Labour

Local content is critical to goods being accepted as European

politician - successfully recruited leading large compa-nies as sizeable sponsors, not least on the grounds that intertrading between them and inward investors would be good for business in general. As the regional agencies have developed, so have indi-vidual local ones in a stratum below them, pushed by local authorities. For example, Dur-

ham and Leeds have set up development companies, Mer-seyside has set up Boom -Business Opportunities on Merseyside - with Liverpool University and the financial sector in the lead - Sheffield City Council has reached a now-vaunted rapprochement with private industry, and in Halifex and Blackburn, Business in the Community has set up partnership experiments to vate sectors in common cause

investment from abroad but from the overcrowded South-East too. Mr Charles Monck, chief executive of the YHDA, says that inquiries from this direction are "ever increasing." But he still warns: "Fear and ignorance of the north seem to be the main factors in the reluctance of southern firms to look farther afield to expand. It

on industrial development. This is not just about inward

is up to the region as whole to get the message across."
What the north offers is adaptable workforce, a lower cost base and a high quality of life, particularly for those mov-ing out of the crowded South-

Most of the 2,090 new jobs reported by the YHDA in the last two months of 1988 were expansions of UK companies some already in the north but headquartered elsewhere, hut many of them newcomers. The message seems to be getting through.

ian Hamilton Fazey

Scottish and Welsh Development Agencies

## Political paths diverge

THE Scottish and Weish Development Agencies have an importance that exceeds their purely economic functions. Because they have a high public profile and are one of the relatively few ways in which governments can directly influence local economies, much of what they do has strong political overtones.

Thus once again the Scottish Development Agency is in tur-moil as it prepares for yet another change in its role and structure; and changes may be in the offing for the Welsh Development Agency too. The Scottish and Welsh

Development Agencies were founded by the Labour govern-ment in 1976. Both Scotland and Wales were suffering severely from the decline of traditional industry and its effects on social conditions.

The agencies were formed to

regenerate their local economies and were specifically charged with involving themselves in industry, which they did in part through e number of attempted rescues of lame duck companies, not all of which were successful. They were also given an important role in the renewal of detailct urban areas, in factory building and leasing and in attracting inward investment from Britain.

In Northern Ireland the Industrial Development Board has a more limited role in assisting both established companies employing more than 500 people and in attracting inward investment, where it has recently had some spectacular successes. It is part of a government department rather than having separate status.

The Conservative government which came to power in 1979 was initially intensely sus-picious of the highly interven-tionist agencies. But it did appreciate their importance to the depressed economies of much of Scotland and Wales and gradually realised that the agencies registered achievements for which governments could take credit.

Both agencies were directed to take a more catalytic than directly interventionist role, attempting to involve the private sector as much as possi-

Almost half of the spending has been redistributive

ties that businessmen might have missed, and trying to become involved - especially financially - in what were ket weakness", where market forces were insufficient to stimulate the private sector to

act on its own.

Both the SDA and the WDA tried hard to undertake projects that would enrich the economies of Scotland and Wales as a whole, rather than automatically moving in to resuscitate economic hlack spots with schemes that very often only meant redistributing existing resources - for exam ple directing investors, with the help of financial aid from the taxpayer, to enterprise zones when they might any-way have set up elsewhere in Scotland without assistance.

Scotland without assistance. But almost inevitably about half of the SDA's and the WDA's spending has been essentially redistributive.

The policies of the asencies in the 1980s are widely regarded as having been more effective than those of the 1970s, and in 1986 the SDA and the WDA received broad, if other muslified approval from often qualified, approval from reviews carried out by the Treasury and the Scottish and Welsh Offices. Often the agen-

cies' greatest strength appears to be the fact that they contain a cadre of highly able, dynamic and skilled people, bringing more imagination to bear to the problems of their countries

than civil servants.
Yet relationships between the SDA and the Scottish Office continued to have their tensions, Ministers were irritated that the SDA always seemed to gain credit which they fall most to bear great arms to the state of the seemed to gain creat which they felt ought to have gone to the Government — especially in the field of inward investment, which is the responsibility of Locate in Scotland, technically a joint operation between the Scotland office and the SDA. Civil servants, for their part, did not like the agency taking initiatives they agency taking initiatives they had not been informed about. In Wales tensions of this kind appear to have been less, though they still arise from

Since the 1987 general elec-

They contain a cadre of highly able, dynamic .. people

tion the paths of the two agencies appear to have diverged more. Mr Peter Walker, the Welsh Secretary, is of a more interventionist bent than Mr Malcolm Rifkind, the Scottish Secretary, and procured a 37 per cent increase in the WDA's annual grant for the current financial year. The SDA's grant, by contrast, rose only five per cent.

In mid-1988 the SDA, just emerging from the disruption of regionalisation (which had been implemented earlier in Wales) suddenly faced the



prospect of drastic new changes. Mr Bill Hughes, chairman of the Confederation of British Industry in Scotland, proposed an initiative to clear up Scotland's unemployment blackspots through the creation of a new body that would merge the employment creation rule of the Training ation role of the Training Agency (once the Manpower Services Commission) with the SDA. The new body, to be called Scottish Enterprise, would operate through a num-ber of local agencies under the

direction of businessmen. Mr Rifkind and Mrs Margaret Thatcher, the Prime Minister, seized on Mr Hughes' proposals with alscrity. They were, as Mrs Thatcher said, " Scottish solution for a Scottish problem, which had its politi-cal attractions for the belowgured Conservative Party. They coincided with ideas for employment training heing developed by Mr Norman Fowler, the Employment Socre-tary. They also offered the chance of firmly putting a Conservative stamp on an institution which is still remembered as a Labour Party creation.

ised in a White Paper in December and is now the sub-ject of consultation. Despite deep fears in the run-up to the publication of the White Paper, that the SDA would in effect be broken up, the document indi-cates that the agency will retain its core functions, and will only delegate powers to local agencies (it is proposed that there should be 22 of them) as and when the local bodies show themselves capa-ble of taking them on.

Doubts have been voiced as to whether businessmen will have the time and commitment to dedicate to the local agen-cies, and the White Paper itself criticises them for having shown little interest in training in the past.

Another criticism is that each local agency fights for its own patch, the use of resources could become even more redis-tributive than it is at present. In general, however, the Scot-tish Enterprise idea has broad political backing.

The idea of establishing business-led Training and Enterness-led Training and Enter-prise Councils in the rest of Britain (but not Northern Ireland) was put forward by Mr Fowler in a White Paper in December. They will therefore be established in Walkar has made clear that he wants the WDA to remain as it is, though he added that training would be coordinated with the be coordinated with the agency's enterprise promotion role. The Employment Depart-ment's White Paper said that the two functions would be integrated. Now the Welsh Office is said to be "consider-ing" how this will be done.

James Buxton

# CLWYD

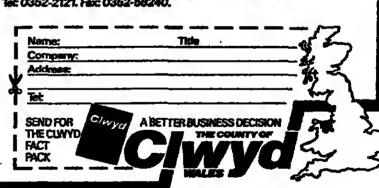


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## Search for urban uplift

some of those inner cities, a really big job. Our policies were geared — education and housing – to help the people in the inner cities to get more choice and, politically, we must get right back in there because we

in his new book on Whitehall, Mr Peter Hennessey quotes in full what Mrs Mar-garet Thatcher, UK Prime Min-ister, said in June 1987. The Conservatives had won the election comfortably. But every big northern city had stayed in Labour hands, fuelling Opposi-tion taunts that Thatcherism

had divided the country. Inner cities first formally gained the status of a policy 20 years ago. It was largely aimed at ameliorating social prob-lems. In 1977, the White Paper on inner cities steered the emphasis to include regenera-tion in partnership with local

authorities. Two years later, Mr Michael Heseltine, then Environment Secretary, set his priorities on capital investment, in partner-ship with the private sector. The first urban development corporations were set up in London Docklands and Merseyside.
The inner city riots in 1981

prompted Mr Heseltine to cajole the leaders of the financial institutions into accompanying him on a tour of Mersey-side, in a bid to get them to commit resources to the problem of deprivation. At the same time, he attempted, unsuccessfully, to win a big increase in public resources for the inner cities.

Meanwhile, in Glasgow, the programme to renew the east end of the city (GEAR - Glasgow Eastern Area Renewal) was well under way. Public finance, channelled through the Scottish Development Agency, and boosted by Euro-pean Commission funds, launched the revival which spread to the city centre. Slowly, the city started to attract private sector invest-ment. The changing of Glasgow has stimulated more interest than any other British city. A similar revival is taking

cities around Britain, Restored

Victorian grandeur, whether

the GMex centre in Manches ter, the theatre in Newcastle or

Critics say the Government's policy is inadequate

the opera house in Hull, is fre-

quently the focal point for

renewed interest in the city, followed by private sector investment in the surrounding

area. Waterfront sites are playing a key role in attracting leisure, residential and retail

Government policy, through the urban development corpo-rations and the grant mecha-

developments.

nism, is succeeding in attract-ing private sector investment in such projects. But the spread of economic growth to the regions in the past year is the most important factor sourring development. Demand for commercial and industrial space is increasing. Rents and capital values in and around city centres are going up.

The demand is mostly local related to the expansion of smaller businesses and the growing financial services sec-tor in cities like Manchester and Leeds. Meanwhile, city councils are bidding vigorously to attract the attention of government departments and com-panies which are contemplat-ing moves out of London and the South-East.

A sindy\* into the competi-tiveness of different parts of the country demonstrated that the cost structure of conurbations tends to be considerably higher than semi-rural areas, and that East Anglia and other parts of southern Britain have many locations which are more competitive than cities in the

The results highlight the huge task that lies ahead in built-up areas like the Black Country, and Teesside, which have been afflicted by industrial closures, and where land is frequently contaminated by

industrial waste. Critics of the Government's

that it is inadequate for the scale of problems, and that it is over concerned with property They say that the biggest problem is social.

Inner cities have a mnch higher than average popula-tion which is dependent on the State, and a concentration of ethnic minorities. The problem is not confined to the industrial cities. Deprivation in inner London boroughs is particularly acute. '

The problems of the inner cities, which include high rates of crime, poor housing and high unemployment, are being addressed by a number of Government Ministers ernment measures. Ministers are also pushing the private are also pushing the private sector into re-assuming respon-sibilities towards the commu-nity, in the hope that they will find a new breed of city

It is too early to say how successful they will be. Stir-rings of interest are evident. Many companies hava responded enthusiastically to the Compact idea, which links inner city schools with local

But the fear in many deprived areas is that Government and private sector initia-tives are not sufficiently effec-tive to prevent a repeat of riots. It is against this back-ground of conflicting symbols — city centre revival and the threat of social unrest - that the Conservative Party has nitched its campaign to win

Manchester was singled out by party headquarters after the 1987 election as a political target. What happens in Bradford, where the Conservatives gained control of the local council last summer and have set out to change radically the direction of city-funded pro-grammes, might be more sig-

\*Geographical Variations in costs and productivity: Tyler, Moore and Rhodes. HMSO

### **PROPERTY**

## Retail attracts the investors

THE CRANES are visible for all to see. Parts of the country resemble a gigantic construc-tion site. All the appearances suggest that the property industry throughout the country is enjoying its best years of

But the reality is more complex A healthy property indus-try is an indication of the growing economy and a contributor to that economy. Yet only in specific instances can it be argued that the industry is a motor of revival in the

Certainly in the office and industrial sectors, property development and investment have tended to follow and exploit the economic growth which is already taking place.
Developers need evidence of
demand before they are prepared to make the financial commitment to new buildings. Investors want evidence if not of actual rental growth then at least of potential rental growth and the probability of higher capital values before they com-

mit themselves to the market.
Such evidence became
readily available after 1986, as
the charts demonstrate, and has led to the recent surge of interest in the sector. What is less readily discernible now is the effect of higher interest rates on the relatively recent revival of the sector, both in terms of its own financing and in terms of the accommodation demands of its potential cus-

Different factors, however, have been at work in the retail property sector. Its sustained growth has taken place on the back of the steady rise in consumer spending and of the ready availability of credit. What has been surprising has heen the duration of the growth. Partly, of course, this has followed the more stringent demands of consumers and has led not only to the provision of new shopping facilities but also to the refurbishment of existing ones.

But the growth in the retail property sector has fed on itself. The more that developers and investors put into the sector the more they encourtrial sectors extend to finance. aged further development and investment. The result has them when they have been completed, this has not been

been that, while in the office and industrial sectors growth has been scattered and uneven, in the retail sector growth has been all over the country. Regional economic disparities have been ignored.

The growth in the retall property sector has fed on itself. Thus, while in the office and industrial sectors expansion has been scattered, in the retail sector it has been nationwide. Regional economic disparities have been ignored

the case with the other sectors.

consistently felt more comfortable financing developments in the South-East, although this started to change a year ago. Only in recent months have

the institutions been readier to invest in office and industrial

property outside the London

area, and hence to encourage developers in speculative ven-tures. But the scale of this

greater diversity has yet to be

London-based banks have

There is a further point. The feeling that retail investments are secure and that, whatever blips there might be in the economy, consumer spending to the consumer spending the consumer spending to the consumer spending the consumer spending that the consumer spending that retail investments are secured to the consumer spending that retail investments are secured to the consumer spending that retail investments are secured to the consumer spending that retail investments are secured to the consumer spending that the consumer spending the c is solidly underpinned has led to a pressure for retail development in both derelict urban areas and on sites outside the main cities.

Retail development has come to be seen as a factor both in the revival of drab inner cities and in rundown industrial areas outside.

The MetroCentre at Gateshead, Merry Hill at Dudley, The Forge at Parkhead, Glas-gow and Albert Dock in Liverpool are examples of retail in this revival role. If the prop-erty industry is seen as a pro-moter of greater regional eco-nomic growth, it is in the retail

To what extent this will continue is open to debate. Propos-als for grandiose new shopping centres have been on the wane.

The measures taken by Mr Nigel Lawson, the Chancellor of the Exchequer, to dampen consumer spending have put retailers under strain at a time when the cost of their earlier chase for space has started to put pressure on their margins. Their appetite for expansion may have been blunted.

But the different factors behind, on the one hand, the retail property sector, and on

Anecdotal evidence suggests that their interest in cities like Edinburgh, Glasgow, Manchester, Birmingham, Leeds and While there has never been any great difficulty in finding finance for retail developments UK-wide and no difficulty in finding institutional buyers for them, when they have been Bristol has belped to push up

capital values.

While this may be good for property investors already committed it does not necessarily help companies in the sarily help companies in the regions trying to hold down costs. How far this process will continue is difficult to establish. But it has become charthat some confidence has dripped away from the prop-

erty sector.
The difficulties of the retail sector, added to uncertainty about the medium-term prospects for the City of Landon property market, have led many property analysts to sound a note of caution about the immediate growth pro-

It is generally accepted that total returns of 30 per cent or more during 1988 are likely to decline in 1989, although returns are nonetheless expected to remain at a high level.

Paul Cheeseright

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## Putting down provincial roots

FINANCIAL SERVICES

industries, once the more or less exclusive preserve of Lon-don and the south of England, the newly prosperous provin-cial centres of the rest of the

There are four ways in which this is happening. Firstly, increasing prosperity is transforming the traditional professional groups, particularly accountants and eolicitors. Secondly, the rise of new entrepreurial groups and new firms is creating a demand for wider corporate banking services and international bank-ing, such as documentary credit.

Thirdly, banks and insur-ance companies are moving their back office facilities to the provinces, thereby becom-ing important sources of employment locally. Finally Big Bang has given a fillip to regional stockbroking operations by creating a single electronic market which can be accessed from anywhere in the

accessed from anywhere in the country.

Consider for instance, Manchester's Square Half Mile, the local name for its financial services community. It is home to ABN, a Dutch bank which the country of its home to the country of the local cou routes much of its husiness through Manchester rather than London to cut costs, as well as to the first branch of N M Rothschild outside the capital - a branch now more than a quarter of a century old. No fewer than 215 quoted companies have their headquarters in Manchester and there are 53 international, mer-

chant or foreign banks in the Manchester however is not having things all its own way even in the North of England. Across the Pennines in York-shire a lively corporate and merchant banking market is developing in Leeds.

developing in Leeus.

"There are 150 quoted companies in Yorkshire with capital of £14bn." says Mr Christopher Broadbent, managing
director of BWD, a Hudders-

Service employment growth Percentage increase in service sector employment, 1976-1986



field based stockbroking and investment group. "We can expect to see a good flow of

expect to see a good flow of new young companies in the next few years."

BWD, with a private client base of 35,000, is a good exam-ple of the new style of regional financial services. A tie-up with the Bradford-based York-

shire Bnilding Society announced in November last year, is the first step to open-ing financial advice services throughout the UK giving it access to around three quar-

ters of a million people. Similar changes are taking place in other regions. In East Anglia, the local Norwich &

## **Boom move northwards**

the Government. Mr Nicholes Ridley, Environment Secretary, says that it is not the Government's policy to dis-courage development and eco-nomic growth in the Sonth-East. Lord Young has put it more forcibly in the interven-

tion by his department sup-porting proposals for a new "village". There is the problem. Other pressures are building up. If the Government succumbs to demands to ease traffic congestion in and around London, by sanctioning spend-ing on roads which is addi-tional to planned improvements, this is likely to be at the expense of communications elsewhere. The decision to

develop Stansted in preference Manchester as "London's Third Airport" still rankles. Now the regions are worried that they will again lose out amid the growing clamour for investment in improved road and rail transport links in London and the South-East.

This question of a fair divi-sion of spending hetween regions is being posed to a gov-ernment which has increas-ingly centralised decision-making. The Thatcher Government has been determined to reduce the influence of local government. Plans are being drawn up in Whitehall which are expected to reduce their role in economic development still for-

The Lahour Party has begun discussing the introduction of regional assemblies to strengthen the economic and political clout of the English regions to tackle their problems, although vital questions, such as their legislative and taxation powers, have still to be clarified. Labour is beginning to see internally-generated growth as the key to promoting greater economic equality between Britain's

Between now and the next eneral election, however, Mrs Thatcher will hope that her market-oriented policies will demonstrate such ideas to be

4.

Peterborough Building Society has become the first building society to acquire a stockbro-ker and is aggressively market-ing a diversified range of financial services to its customers.

In the west, financial seraround both Bristol and Cardiff, even though the strategies being adopted are somewhat different. Bristol is now home to the

eadquarters of four of the top life assurance groups. Other financial services firms, such as Burns Anderson the insurance brokers, are also present. A sizeable expansion of ser-

vices is taking place around College Green and Broad Quay. Some believe that it will be Britain's third financial com-munity within a relatively

Bristol is also home to some of the administrative operations of the large clearers. It is to house part of the administrative HQ of Lloyds Bank with 1,400 staff. National Westminster already has more than 5,000 staff there.

All of the big eight accountancy houses are now represented and Bristol is beginning to think of itself as one of the country's top financial services centres. On the corporate side this is still not the case there is no merchant banking facility yet, for example, but it is undoubtedly strong on pro-fessional and retail services.

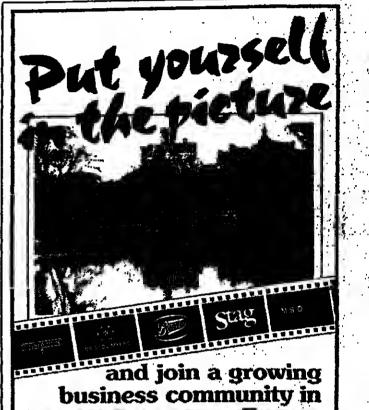
Wales presents a different picture of growth — and one which has come into heing only in the last five years. Cardiff is justly proud that N M Rothschild have selected the city for its second branch in the UK outside London after Manchester.

TSB has chosen Newport for one of its fastest growing divi-sions and expects to employsome 2,000 there people in the next few years. Developments here reflect a

turnaround in the local econotivy. The growth of financial services has also been fostered by the South East Wales Financial Services Initiative which has been very successful in wooing outside companies and persuading them to set up in the region. the region.

Chemical Bank of the US is proposing to double the num-ber of people working in its operation in the Weish capital to around \$30. This does not take account of changes at what used to be called Chemical Bank Home Loans, its mortgage processing operation now owned by BNP of France.

Other new arrivals are AA Services and the National Provident Institution. Further in the background is the regen-eration of Cardiff Bay in a redevelopment which mirrors changes in the last five years in London's dockland.



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